FitchRatings

Insurance
Composite Insurers
Belgium

Ethias SA

Key Rating Drivers

Very Strong Capitalisation: Fitch Ratings' assessment of Ethias SA's capitalisation is driven by the group's very strong Solvency II (S2) ratio of 170% at end-2022 (end-2021: 178%). The ratio was hit by inflation in 2022 and remains sensitive to a widening of Belgium's government bond spreads (AA-/Negative), which could reduce solvency buffers.

Its Prism Factor-Based Capital Model (FBM) score fell to 'Very Strong' at end-2022 from 'Extremely Strong' at end-2021, due to a lower capital base as higher interest rates turned unrealised capital gains into unrealised capital losses. This was partly offset by Fitch adding back 50% of unrealised losses to available capital, reflecting our view that a large portion of unrealised losses will be recaptured in shareholder equity over time.

Stable Leverage: Ethias's financial leverage ratio (FLR) was broadly stable in 2022, ending the year at 19% (end-2021: 17%). This ratio also benefitted from the same partial credit for unrealised losses as the one made in Prism. The combined effect of Ethias's new debt issue and existing debt buyback in April 2023 had a negligible adverse effect on leverage. Ethias's capital and leverage measures compare favourably with that of similarly rated European peers.

Strong Financial Performance: We assess Ethias's overall financial performance as 'Strong', supported by sound non-life earnings. However, its reported non-life net combined ratio, which now includes financial income from annuities, deteriorated to 93.5% at end-2022 (five-year average of 92.9%) from 90.2% at end-2021. This is mainly due to the adverse effect of inflation and worsening claims experience. We expect Ethias to remain exposed to inflation risk in 2023.

Net income doubled, boosted by the release of liability adequacy test (LAT) provisions created during the previously low interest rate environment, which more than offset a 14% fall in operational result. Along with lower shareholder equity, this leads to very high Fitch-calculated return on equity (ROE) of 17.4%, well above its five-year average of 9.4% and Fitch's guidelines for the 'a' category. We view this level as unsustainable and exceptional in nature.

Strong Business Profile: Fitch views Ethias's company profile as 'Moderate' compared with other Belgian insurers. Its strong business profile is underpinned by its solid position as the third-largest insurer in Belgium. Ethias is both a direct insurer and the leading insurer in the public sector and has a balanced business mix. Ethias operates almost exclusively in Belgium.

Strong Reserving: Fitch views Ethias's non-life reserve adequacy as strong. It strengthened its property and casualty (P&C) reserves to account for higher inflation in 2022.

Low Exposure to Interest-Rate Risk: Ethias manages the duration gap of its life-insurance liabilities and assets at below one year, having previously reduced its exposure to interest-rate risk resulting from historically high minimum guaranteed returns. Asset and investment risk was broadly unchanged in 2022.

Ratings

Ethias SA

Insurer Financial Strength	A
Long-Term IDR	A-

Outlooks

Insurer Financial Strength	Stable
Long-Term IDR	Stable

Debt Ratings

Subordinated Long-Term Rating	BBB

Financial Data

Ethias SA

(EURm)	2022	2021
Total equity[a]	1,625	3,084
Total assets	18,324	21,186
Net income[a]	411	210
Gross written premiums	2,896	2,767
Solvency II ratio (%)	170	178

[a] Before deduction of minority interests.
Source: Fitch Ratings, Ethias

Applicable Criteria

Insurance Rating Criteria (July 2022)

Related Research

Belgian and Dutch Insurers – Peer Review (May 2023)

Fitch Revises Belgium's Outlook to Negative; Affirms at 'AA-' (March 2023)

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Rating Sensitivities

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

- Sustained improvements in underwriting profitability as highlighted, for example, by a reported combined ratio below 92% while the S2 ratio remains above 170%.

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

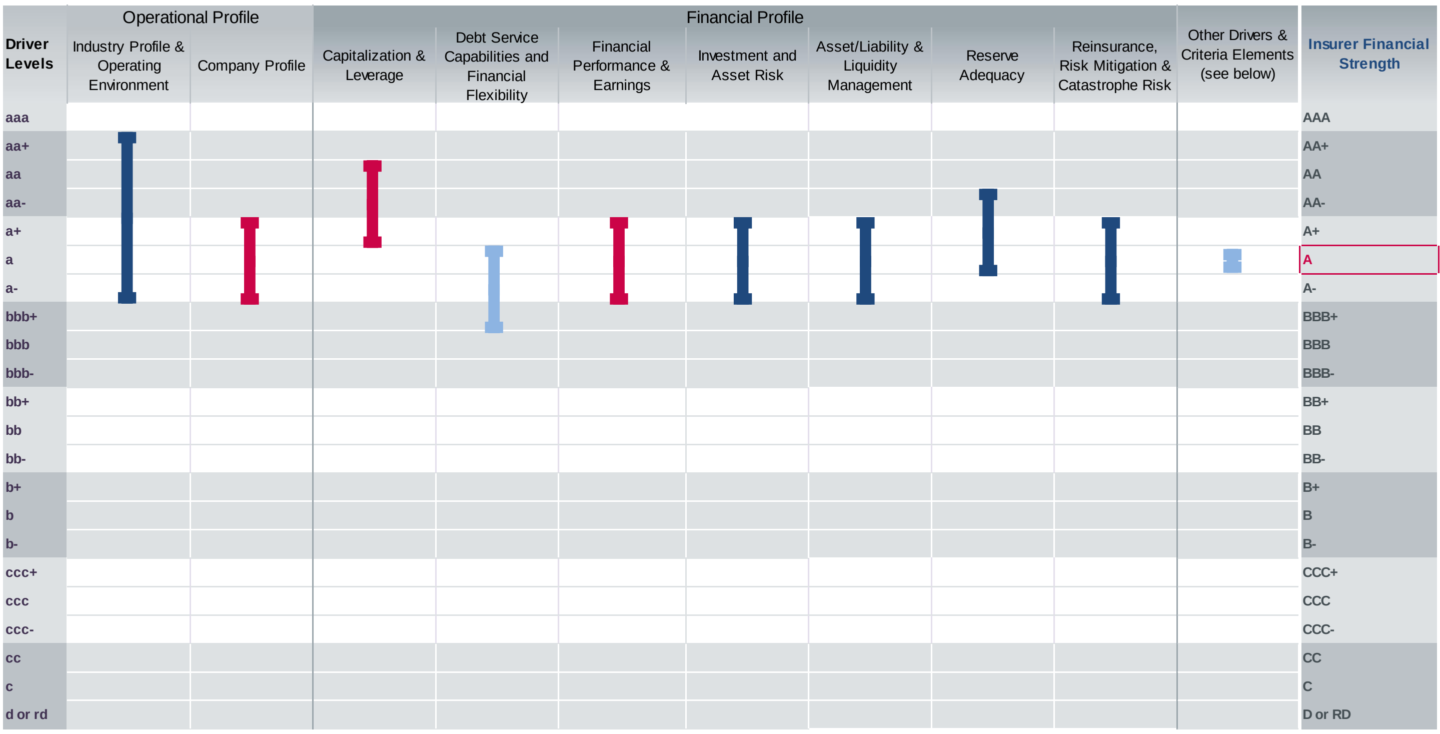
- Sustained material weakening in capitalisation as reflected in a deteriorating Prism score or S2 ratio weakening below 140%.
- Sustained deterioration in underwriting profitability as highlighted, for example, by a reported combined ratio above 95%.

Latest Developments

Ethias repurchased EUR116.5million of its EUR402.7 million Tier 2 notes due in 2026 through a cash tender offer launched in April 2023. At the same time, it issued EUR250 million of new Tier 2 notes due in 2033 with a 6.75% fixed coupon. The proceeds will fund green investments under the company's green finance framework. Ethias also redeemed its EUR75 million Tier 2 notes maturing in July 2023.

We estimate these transactions to increase Ethias's net debt by EUR58.5 million to EUR550.2 million. However, we expect it to maintain its FLR below 20%, which is consistent with Fitch's criteria guidelines for the 'a' rating category.

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

Ethias's business profile is 'Moderate' (as defined in Fitch's criteria) compared with other Belgian insurers. This reflects its solid non-life franchise in its domestic market and strong competitive position in the Belgian public sector. Given this ranking, Fitch scores Ethias's business profile at 'a' under its credit factor scoring guidelines.

We view Ethias's competitive positioning as 'Favourable' compared with other Belgian insurers. Ethias ranked fourth in the Belgian insurance market by gross written premiums (GWP) at end-2021. Its domestic market share was 9.2% for all activities combined, and 8.5% in life and 10% in non-life.

Ethias is the largest direct insurer in Belgium, with about 45% of the non-life market. It also leads public-sector insurance, reaching about half of the customers in this segment. Ethias mainly serves individuals and Belgian public authorities, such as regions, communities, provinces, the federal state of Belgium, cities and municipalities, schools, hospitals, and private companies.

We assess Ethias's business risk profile as 'Moderate' compared with its peers. The company has a stable business focus on well-established lines, as shown in the charts below.

Ethias's diversification ranks as 'Moderate' compared with its Belgian peers. Ethias operates almost exclusively in the Belgian insurance market (98% of 2022 GWP). Its business mix is well balanced, but still skewed towards motor (38% of non-life written premiums, around 30% for the Belgian market). Its client base is concentrated on the public and corporate sector, which accounts for close to 80% of Ethias's GWP. As a result, Ethias's business is more exposed to the domestic operating environment than other, more diversified competitors.

Corporate Governance – 'Moderate/Favourable'

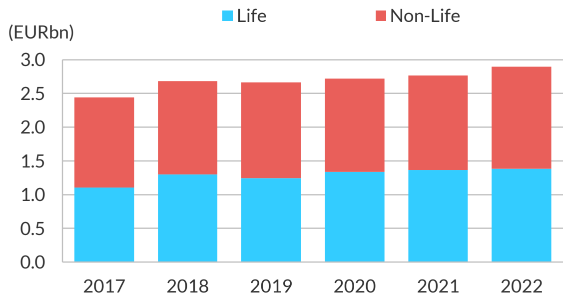
Fitch ranks Ethias's governance as 'Moderate/Favourable'. We view the group's governance structure, as well as its financial transparency, as in line with peers and local norms.

Company Profile Scoring Summary

Assessment		Sub-Score/Impact
Business profile assessment	Moderate	a
Corporate governance assessment	Moderate/Favourable	0
Company profile factor score		a

Source: Fitch Ratings

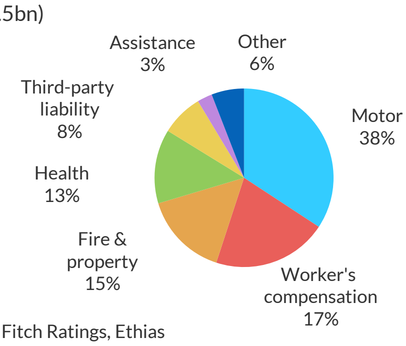
Gross Written Premiums



Source: Fitch Ratings, Ethias

2022 Non-Life Premium Mix

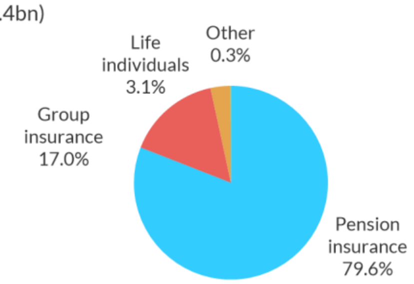
(EUR1.5bn)



Source: Fitch Ratings, Ethias

2022 Life Premium Mix

(EUR1.4bn)

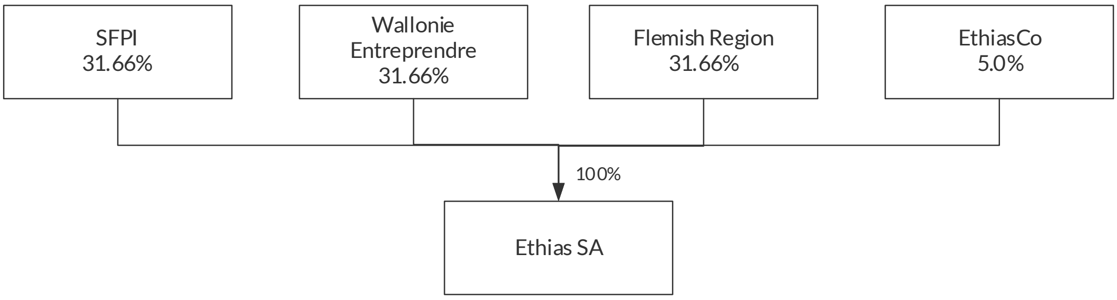


Source: Fitch Ratings, Ethias

Ownership

Ethias is directly owned by Belgium through its investment company, SFPI, the Flemish Community (AA/Negative), and the Walloon Region (not rated; 31.66% each), and by EthiasCo (5%).

Belgium's potential state support is not reflected in the rating but Fitch expects the authorities to offer additional assistance to the group if required. This is demonstrated by the Belgian state's EUR1.5 billion capital injection in 2008 for Ethias's restructuring as the group faced difficulties due to the financial crisis. To finance the restructuring plan by its own means to the further extent possible, Ethias had to sell most of its retail life insurance portfolio. Ethias has maintained a stable dividend policy, paying a dividend in excess of EUR100 million to its shareholders annually for the past three years.



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 170% at end-2022 (end-2021: 178%). The ratio was hit by inflation in 2022 and remains sensitive to a widening of Belgium's government bond spread (a 50bp spread widening would result in the S2 ratio decreasing by about 21pp), which could reduce solvency buffer. By contrast, an increase of corporate bond spreads is positive for the ratio, given Ethias's composition of assets versus EIOPA's reference portfolio. Ethias uses the S2 standard formula with its own undertaking specific parameters for P&C and health.

The company's Prism FBM score fell to 'Very Strong' at end-2022 from 'Extremely Strong' at end-2021, due to a lower capital base as higher interest rates turned unrealised capital gains into unrealised capital losses. This was partly offset by Fitch adding back 50% of unrealised losses to available capital, reflecting our view that a large portion of unrealised losses will be recaptured in shareholder equity over time.

Ethias's FLR was broadly stable, at 19% at end-2022 (end-2021: 17%). This ratio also benefitted from the same partial credit for unrealised losses as the one made in Prism. The combined effect of Ethias's new debt issue and existing debt buyback in April 2023 had a negligible adverse effect on leverage. Ethias's capital and leverage measures compare favourably with that of similarly rated European peers. The April 2023 debt transactions (see *Latest Developments*) are broadly neutral for capitalisation and had a negligible adverse effect on leverage.

Financial Highlights

	2022	2021
Net written premiums/capital (x)	1.4	0.7
S2 ratio[a] (%)	170	178
Financial leverage ratio (%)	19	17
Total financing and commitments (x)	1	0.6

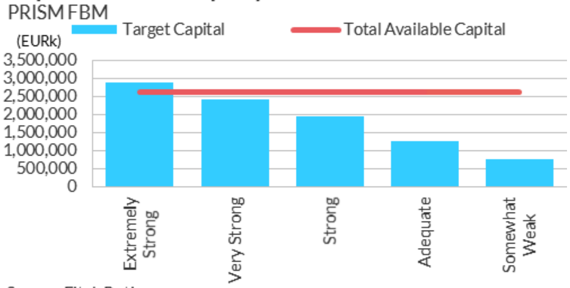
[a] Excluding transitional measures
Source: Fitch Ratings, Ethias

Fitch's Expectations

- Ethias's capitalisation to remain 'Very Strong' and S2 ratio to remain above 170%.
- FLR to remain low as we do not expect an expansion of indebtedness in 2H23.

Capitalisation Adequacy

PRISM FBM



Source: Fitch Ratings

Financial Highlights

	2022	2021
Prism score	Very Strong	Extremely Strong
Prism total AC (EURk)	2,627,044	3,202,653
Prism AC/TC at Prism score (%)	109	104
Prism AC/TC at Higher Prism score (%)	91	n.a.

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

Debt Service Capabilities and Financial Flexibility

Good Interest Coverage and Proven Financial Flexibility

Fitch considers Ethias's financial flexibility and debt service capabilities to be strong. The fixed-charge coverage (FCC) ratio on an operating earnings basis (adjusting for realised and unrealised gains and losses) was 20.4x in 2022 (2021: 9.9x). The FCC ratio has fluctuated over the past five years due to changes in operating earnings while debt interest expenses remained stable. The ratio has averaged 11.6x and 11.1x over the past three years, including and excluding realised gains and losses, respectively, which is consistent with the guidelines for the 'A' category.

Ethias's financial flexibility was constrained until January 2019 by the pressure to pay dividends to its parent company of the time, Vitrufin. In 2012, Vitrufin issued debt to buy Dexia Credit Local S.A. shares from Ethias and relied on Ethias for dividends to pay the interest and principal on the debt that matured in January 2019.

Fitch estimates that the April 2023 debt transactions have increased Ethias's debt service by a net EUR6 million a year, which is still consistent with Fitch's assessment of Ethias's debt service capabilities. The success of the operation extends Ethias's debt maturity profile and underlines the insurer's good financial flexibility.

Financial Highlights

(x)	2022	2021
Fixed-charge coverage ratio (adjusting for realised and unrealised gains and losses)	20.4	9.9

Source: Fitch Ratings, Ethias

Fitch's Expectations

- FCC to slightly decrease due to the higher coupon rate of the notes issued in April 2023.

Financial Performance and Earnings

Strong Financial Performance

Fitch assesses Ethias's overall financial performance as 'Strong', supported by a record of positive non-life earnings. The quality and diversity of earnings is also supportive of the rating. Profitability has been more reflective of technical results since 2019, after having been affected by non-recurring items related to the company's portfolio restructuring that was completed in 2018. However, the change of reported combined ratio calculation in 2022 and the accounting of 2021 flood losses as exceptional items makes the past and peer comparison of operating earnings more challenging.

In 2022, Ethias's reported operational result fell EUR40 million to EUR236 million, mainly due to lower non-life technical income. Performance in non-life was impacted by the adverse effect of inflation on P&C reserving, worsening claims experience and to a lesser extent, overhead increase. Non-life net combined ratio, as reported by Ethias and which now includes financial income from annuities deteriorated to 93.5% at end-2022 from 90.2% at end-2021 (five-year average of 92.9%). Ethias still benefits from lower claim frequency in motor since Covid-19. We expect Ethias to remain exposed to inflation risk in 2023.

The life operational result has historically been low but contribution to company's operating profit have been consistently above EUR75 million since 2019 each year and contributed to earnings diversification. In 2022, profitability benefited from rising interest rates with high reinvestment flow during the year.

Ethias's continues to be highly concentrated on guaranteed-rate life products mainly from pension insurance and contribution insurance Pillar 1, which is the main driver of growth in premium collection. However, its profitability mainly relies on group insurance contracts Pillar 2 and death insurance.

In 2022, net income doubled to EUR398 million (2021: EUR189 million), boosted by the release of EUR322 million of LAT provisions made in a low-rate environment, which more than offset a 14% fall in operational result. Along with lower shareholder equity, this leads to a very high Fitch-calculated ROE of 17.4%, well above its five-year average of 9.4% and Fitch's guidelines for the 'a' category. We view this level as unsustainable and exceptional in nature.

Financial Highlights

(EURm)	2022	2021
Net income	411	210
Operating income	236	276
Net income ROE (%)	17.4	6.3
Reported non-life combined ratio (%)	93.5	92.4

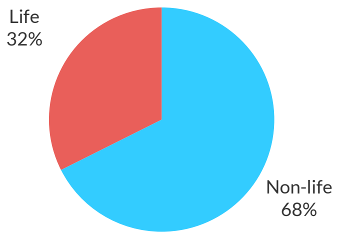
Source: Fitch Ratings, Ethias

Fitch's Expectations

- Persistent high inflation, subdued premium growth in Belgium and higher risk retention will weigh on profitability. However, we expect operational result to be resilient, due to Ethias's effective portfolio pruning, price increases and cost control.

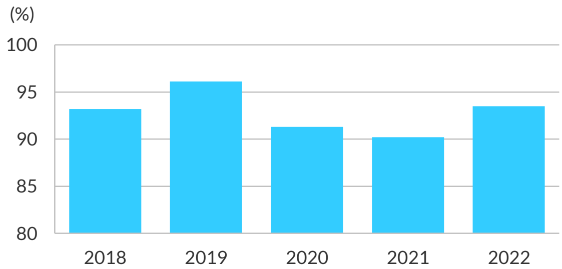
Operating Income

At end-2022



Source: Fitch Ratings, Ethias

Non-Life Combined Ratio[a]



[a] including financial income from annuities
Source: Fitch Ratings, Ethias

Investment and Asset Risk

Moderate Investment Risk

Fitch views Ethias's investment policy as prudent. In 2022, risky-asset allocation remained broadly unchanged compared to 2021 level as Ethias's investment strategy continues to focus on prudent investment allocation. The Fitch-calculated risky-asset ratio increased to 179% at end-2022 from 100% at end-2021 from the drop of equity as higher rates turned unrealised capital gains into unrealised capital losses.

In 2022, Ethias started to lower the overall risk of its portfolio, notably though a reduction of its allocation to equities to benefit from higher rates on fixed-income products, especially corporate bonds. Higher allocation to real estate and unrated, albeit good credit quality alternative investments (infrastructure, private debt) should continue to support investment income. Derivatives strategies are used to manage spread (spreadlock programme), inflation (inflation-linked bonds), interest rate and equity risk exposure.

Fitch regards the credit quality of the life and non-life bond portfolios as stable, with an average rating of 'A'. Ethias has been reducing exposure to Belgian and French sovereign bond spread risk through redemptions, sales, derivatives (forward swaps) since 2017 and targets a gross government bond allocation of 50% (end-2022: 49%).

Financial Highlights

(%)	2022	2021
Risky-assets ratio	179	100
Non-investment-grade bonds/capital	106	56
Unaffiliated shares/capital	58	38

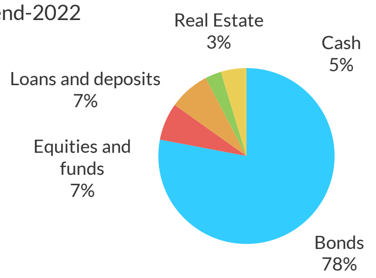
Source: Fitch Ratings, Ethias

Fitch's Expectations

- No significant increase to investment risk in 2023 as we except Ethias to maintain a prudent, more diversified, investment allocation and a controlled exposure to risky assets.

Asset Split

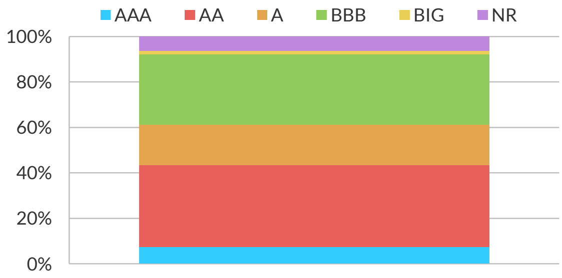
At end-2022



Source: Fitch Ratings, Ethias

Bonds Breakdown by Rating

At end-2022



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 due to life technical liabilities subject to fairly high minimum guaranteed returns has fallen significantly over the past five years. Its duration gap has been managed within the -1/+1 target range since 2018, after a gradual reduction from a gap of 8.7 years in 2014 following buy-back switch offers, reinvestments in long-dated bonds, repo strategy and the derivatives overlay swap programmes. Life asset duration and liability duration were 7.0 and 7.5 years, respectively, at end-2022.

The company has executed several redemption 'Switch' offers between 2013 and 2018, whereby First A policyholders were given a financial incentive to redeem their contracts. First A are intensive retail life insurance contracts, under which high guarantees are paid until the policyholder reaches the age of 99.

Ethias makes active use of forward interest rate swaps, which replaced swaptions in 2017 to reduce its duration gap and hedge interest rate risk (particularly related to Belgian sovereign bonds).

The guarantee profile for the life insurance book has improved in recent years, as Ethias reduced its exposure to higher-rate guarantees and these guarantees are carried by a smaller amount of life reserves. The disposals came at a cost, but have significantly reduced Ethias's exposure to interest-rate risk. At end-2022, the average guaranteed rate was 1.44% on life contracts (end-2021: 1.53%). Fitch considers Ethias's capacity to cover minimum guaranteed returns as satisfactory and improving, as average accounting yields benefits 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 negative impact of rising inflation on liabilities, notably in worker's compensation.

Ethias's ratio of liquid assets to net technical reserves fell to 98% at end-2022 (end-2021: 117%) due to the decrease in the fixed-income portfolio value as interest rises. Although, we continue to view Ethias's liquidity profile as strong considering the group's cautious liquidity management.

Financial Highlights

(%)	2022	2021
Liquid assets/net technical reserves, excluding unit-linked	98	117

Source: Fitch Ratings, Ethias

Fitch's Expectations

- The asset liability management policy to remain disciplined and for the duration gap to remain quasi closed.

Reserve Adequacy

Strong Reserve Adequacy

Ethias has moderate and stable reserve leverage, as indicated by a ratio of reserves to incurred losses of 2.2x at end-2022 (end-2021: 2.3x).

Fitch believes Ethias's loss reserves grew at a rate commensurate with growth in underwriting exposures over the past five years. The level of prudence in reserving is shown in 2022's IFRS reserves exceeding S2 best estimates for liabilities. We view the level of technical provisions as prudent in light of regulatory requirements and practices in Belgium.

In 2022, Ethias strengthened its non-life reserves by EUR93 million to account for higher inflation in all business lines (6% impact on net combined ratio), which we view as prudent but commensurate with high inflation rate in Belgium. Analysis of the group's claims development triangles (based on IFRS accounts) indicates favourable, but deteriorating, reserve surplus of the initial provision compared to the estimated current claim liabilities at end-2022.

Financial Highlights

(%)	2022	2021
Net technical reserves/net written premiums	283	293
One-year reserve development/ prior-year equity	-17	-7.3
Loss reserves/equity	2.5	1.2

Source: Fitch Ratings, Ethias

Fitch's Expectations

- No extra material reserving requirements due to inflation, following 2022 additions.

Reinsurance, Risk Mitigation and Catastrophe Risk

Effective Risk Management, Strong Reinsurance

The group is not a major purchaser of reinsurance, as shown by the high and stable retention rates averaging 97% over the past five years. This corresponds to 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, its main country of operations. Fitch considers the level of reinsurance protection to be appropriate in light of the characteristics of the business underwritten.

Most of the protection purchased is in the form of non-proportional treaties, supplemented by risk excess of loss and event excess of loss covers.

At the January 2023 renewals, Ethias maintained its reinsurance structure with some adjustments due to lower capacity and generalised reinsurance cost increase from very tough reinsurance market conditions. Ethias mitigated these adjustments through additional treaties. We believe that the increasing exposure to catastrophe risk could increase earnings volatility.

We view the quality of Ethias's external reinsurance providers as robust (minimum of 'A-' rating required).

Financial Highlights

(%)	2022	2021
Reinsurance recoverables/capital	21	11
Net written premiums/ gross written premiums	97	97

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 summarizes 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 May 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. FLR – Financial leverage ratio
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

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

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.

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. For more information on Fitch's ESG Relevance Scores, visit http://www.fitchratings.com/esg.

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