MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns an A2 IFSR to Matmut Societe d'Assurance Mutuelle

14 November 2024

Paris, November 14, 2024 – Moody's Ratings (Moody's) has today assigned an A2 Insurance Financial Strength Rating (IFSR) to Matmut Societe d'Assurance Mutuelle (Matmut), a French property and casualty (P&C) mutual insurer. The outlook is stable.

Matmut is the main insurance entity of the Matmut group which includes subsidiaries of Mamut and other affiliated mutual insurance entities such as Matmut Mutualité (protection), Mutuelle Ociane Matmut (health insurance), or Mgéfi (health insurance for the public sector).

RATINGS RATIONALE

The A2 IFSR of Matmut reflects the financial strength of the combined prudential Matmut group, also known as SGAM Matmut. Although some of the group entities have no capital link with Matmut, all companies forming the SGAM are joined together by financial solidarity links.

The rating is underpinned by (i) the group's good capitalisation, as evidenced by a Solvency II ratio of 189% as at YE 2023, (ii) its very strong brand and solid position in the motor and home French insurance markets and (iii) its moderate risk profile overall supported by a focus on retail and a good business diversification. These strengths are however partly mitigated by (i) a low level of profitability and (ii) the absence of geographical diversification.

Matmut has a strong business profile, with a very strong and well-known brand in the retail P&C market in France. Matmut ranks in the top 10 in the competitive motor and home insurance segments. The group's market position is supported by its well-controlled and cost efficient extensive proprietary branch network, which is a key strength of Matmut. The group's focus on retail and the increasing business diversification, notably in health insurance in recent years, also contribute to the good business profile, although the lack of international diversification is a credit weakness.

The financial profile of Matmut is also solid. The group's Solvency II ratio is relatively high at 189% as at year-end 2023 and has consistently remained above 180% in the last five years. All the major entities of the SGAM Matmut also have high solvency ratios.

More negatively, Matmut's profitability has been low overall, with an average Return-on-capital (Moody's calculation) of 3.2% between 2019 and 2023. In particular, Matmut reported combined ratios above 100% in the motor and home segments, which was offset by a growing positive contribution of the health segment to the results, helped by the integration of Mgéfi in 2023. Results were also supported by stable financial income generated by the group's investments. We expect that lower reinsurance protection (and in particular the loss of the climatic aggregate cover in 2023) and inflation will continue to exert pressure on the P&C segment, but the group targets a combined ratio below 100% by 2026 (2023: 101.5%) and has implemented price increases to reach this target. Nonetheless, because of its mutual status and the strong competition in the P&C market, we do not expect Matmut's margins to grow significantly.

ESG CONSIDERATIONS

The assignment of the new rating to Matmut also takes into account the effectiveness of its governance as part of our assessment of environmental, social and governance (ESG) considerations. Matmut faces low governance risks. Its risk management policies and procedures are in line with industry best practices. Matmut has a clear financial strategy and the group's capital management is relatively conservative.

STABLE OUTLOOK

The stable outlook on Matmut indicates our expectation that the mutual insurance group will continue to increase prices to offset claims inflation and to restore technical profitability in the next 12-18 months. We also expect Matmut to maintain a Solvency II ratio above 180%.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

The following factors could exert upward pressure on Matmut's rating: (i) a material improvement of geographic or business diversification, and (ii) an increase in profitability, as evidenced by a return-on-capital above 5%, while maintaining a Solvency II ratio above 180%.

Conversely, the following factors could result in a downgrade of Matmut's rating: (i) a decrease in profitability, as evidenced by a return-on-capital sustainably below 2%, prompted for example by a persistent high combined ratio at the group level, or (ii) a deterioration of the group's franchise, as evidenced by a sustainable reduction of market share, or (iii) a sustainable deterioration of capital adequacy, with a Solvency II ratio remaining below 180%.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Property and Casualty Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418354. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

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Moody’s does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

This rating is solicited. Please refer to Moody’s Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above.Moody’s general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1355824.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody’s affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

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