MOODY'S RATINGS

CREDIT OPINION
27 March 2025

New Issue

Send Your Feedback

RATINGS

Matmut Societe d'Assurance Mutuelle

Domicile	Rouen, France
Long Term Rating	A2
Type	Insurance Financial Strength - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Louis Nonchez +33.1.5330.1052
AVP-Analyst
louis.nonchez@moodys.com

Simone Galimberti +33.1.5330.3417
Ratings Associate
simone.galimberti@moodys.com

Benjamin Serra +33.1.5330.1073
Senior Vice President
benjamin.serra@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Matmut Societe d'Assurance Mutuelle

Update to credit analysis

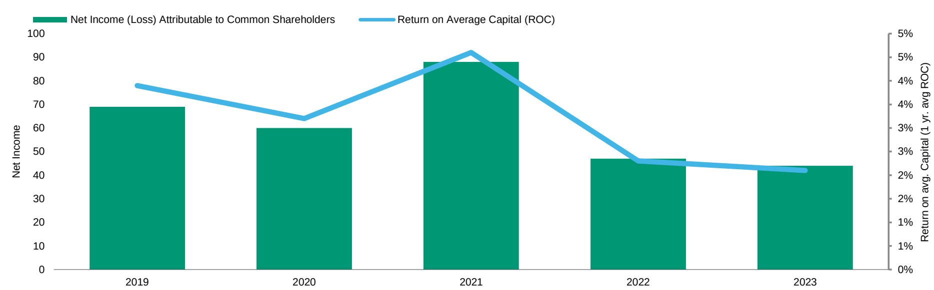
Summary

The credit profile of Matmut Société d'Assurance Mutuelle ("Matmut"), rated A2 for the insurance financial strength, 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 credit profile of Matmut is supported 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.

On 20 December 2024, Matmut announced that it had entered into exclusive negotiation with HSBC Continental Europe (A1/A1 stable, a3[1]) to acquire HSBC Assurances Vie (France). This transaction, if completed, would materially affect Matmut's business and financial profiles but this credit opinion only discusses the current credit profile of the group.

Exhibit 1
Matmut has reported weak profitability in the last five years



Sources: Company's reports and Moody's Ratings

Credit strengths

» Group's good capitalisation, as evidenced by a Solvency II ratio of 189% as at YE 2023

» Very strong brand and solid position in the motor and home French insurance markets

» Moderate risk profile overall supported by a focus on retail and a good business diversification

Credit challenges

» Low level of profitability

» Absence of geographical diversification

Rating 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

The rating could be upgraded in case of:

» a material improvement of geographic or business diversification, and

» an increase in profitability, as evidenced by a return-on-capital above 5%, while maintaining a Solvency II ratio above 180%.

Factors that could lead to a downgrade

The rating could be downgraded in case of:

» 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

» a deterioration of the group's franchise, as evidenced by a sustainable reduction of market share, or

» a sustainable deterioration of capital adequacy, with a Solvency II ratio remaining below 180%.

Key indicators

Exhibit 2
Matmut [1]
Key financial indicators (As reported Euro Millions)

	2023	2022	2021	2020	2019
Total Assets	7,344	6,827	6,462	6,269	6,044
Total Shareholders' Equity	2,234	2,009	1,965	1,875	1,814
Net income (loss) attributable to common shareholders'	44	47	88	60	69
Gross Written Premiums	2,925	2,477	2,401	2,285	2,255
Net Premiums Written	2,758	2,401	2,324	2,210	2,181
Moody's Adjusted					
High Risk Assets % Shareholders' Equity	97.20%	100.40%	107.30%	105.70%	104.20%
Reinsurance Recoverable % Shareholders' Equity	21.50%	22.20%	14.50%	16.50%	16.10%
Gross Underwriting Leverage	314.30%	320.30%	310.00%	316.20%	315.00%
Goodwill & Intangibles % Shareholders' Equity	7.20%	6.80%	5.90%	5.00%	5.10%
Return on avg. Capital (1 yr. avg ROC)	2.10%	2.30%	4.60%	3.20%	3.90%
Sharpe Ratio of ROC (5 yr. avg)	303.90%	350.60%	555.00%	113.90%	57.70%
Adv./(Fav.) Loss Dev. % Beg. Reserves (1 yr. avg)	-3.90%	0.60%	NA	NA	NA
Financial Leverage	2.30%	2.50%	2.10%	2.00%	2.50%
Total Leverage	2.90%	3.00%	2.60%	2.50%	3.10%
Earnings Coverage (1 yr.)	NA	NA	NA	NA	NA
Net Underwriting Expense Ratio	19.91%	20.30%	20.91%	20.75%	20.51%

Note: [1] All ratios are based on 'Adjusted' financials data and incorporate Moody's Global Standard Adjustments for Financial Corporations.
Sources: Company's reports and Moody's Ratings

Profile

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

Matmut is a mutual insurer operating exclusively in France, predominantly in the property and casualty (P&C) segment. The company ranks among the top 10 motor and home insurers in France. The SGAM Matmut gradually expanded into health, life, and protection, with notably the integration of the mutual Mgéfi in 2023.

Detailed credit considerations

Matmut Societe d'Assurance Mutuelle's ESG credit impact score is CIS-2

Market Position, Distribution and brand: Solid franchise with a very high brand awareness in France – A

Matmut is a leading mutual P&C insurer in France, with top 10 positions in the French home and motor markets. Despite the strong competition from traditional players and bancassureurs, we expect the company to be able to maintain these market positions thanks to a very well known brand in France and a well-controlled and cost efficient extensive proprietary branch network.

Matmut also owns a 34% stake in Cardif IARD, a joint-venture with BNP Paribas selling P&C products through the bank, but this entity is and will remain a small contributor to Matmut's revenues and earnings in the coming years.

Matmut's P&C franchise is complemented by a good position in the health and protection market. The group operates in this segment mainly through two entities: (1) Mgéfi, dedicated to the public sector, and (2) Mutuelle Ociane Matmut, with a majority of retail clients. Matmut ranks amongst the top 15 individual health insurers and the group has successfully diversified its distribution channels in this segment. Around 50% of Mutuelle Ociane Matmut sales are direct or through call centers.

Matmut is currently a small player in the French life market but will is seeking to grow this segment as part of its strategic plan.

Product Risk and diversification: Good business diversification and focus on short-tailed lines, partly offset by the absence of geographic diversification – A

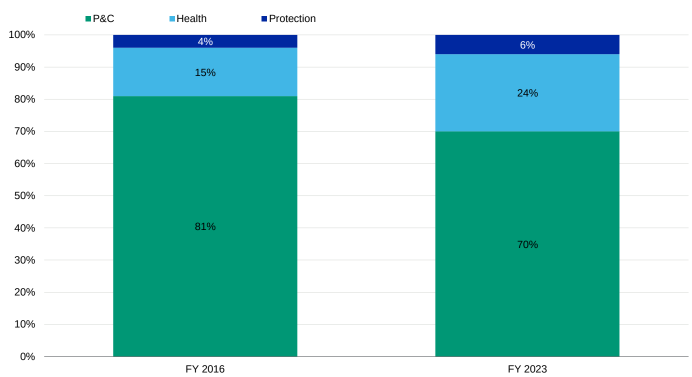
We consider Matmut's product risk to be moderate-to-low, thanks to the large exposure to personal and short-tailed risks (90% of the SGAM's P&C revenues in 2023). The group's diversification is growing, notably thanks to an increasing contribution from the health segment (24% of premiums in 2023), but Matmut's business mix remains dominated by the motor business (43% of premiums). The third largest business line is property (18%) which brings exposure to climatic events. Matmut benefits from the coverage of Caisse Centrale de Réassurance for flood and drought risks, and from private reinsurance coverage for storms and hail events, even if the private reinsurance coverage for climatic events has decreased in recent years, as evidenced by a higher retention since 2023.

We expect further diversification in the life segment going forward, but the lack of international diversification is a credit weakness. We also expect the share of SME/corporate risks to grow in the near future, notably in health. This segment remains key for Matmut's development in France and an important part of its multichannel distribution strategy is dedicated to SMEs.

Exhibit 3

Focus on Health and Protection growth

Gross Revenues



Sources: Company's reports and Moody's Ratings

Asset quality: very conservative investment policy – A

Matmut's asset quality is good, as evidenced by a high-risk assets (HRA) ratio below 100%, in line with an A score. This is due to a conservative asset allocation, with more than 66% of the group's assets invested in fixed-income (including investment funds with a majority exposure to fixed income), equities and participations for about 16%, and real-estate at approximately 8%. The exposure to other risky assets (notably private equity, private debt, and infrastructure) remains low at approximately 5% of the total investment portfolio combined.

Bonds investments are diversified as well, with a 50/50 breakdown roughly between sovereign debt and corporate bonds. The sovereign bonds portfolio is mostly European-based and investment grade, but it includes 18% of Italian bonds, rated Baa3. The non-sovereign bonds portfolio is also diversified with approximately 50% invested in corporate bonds and 50% in financials. In the corporate bonds portfolio, most of the exposure is on investment-grade counterparts (89% in 2023) with an average rating of A, and Matmut mostly invests in senior debt for its financial institutions bonds (90%).

Going forward, we do not expect significant changes in the investment allocation, and the asset quality should broadly remain in line with the current rating.

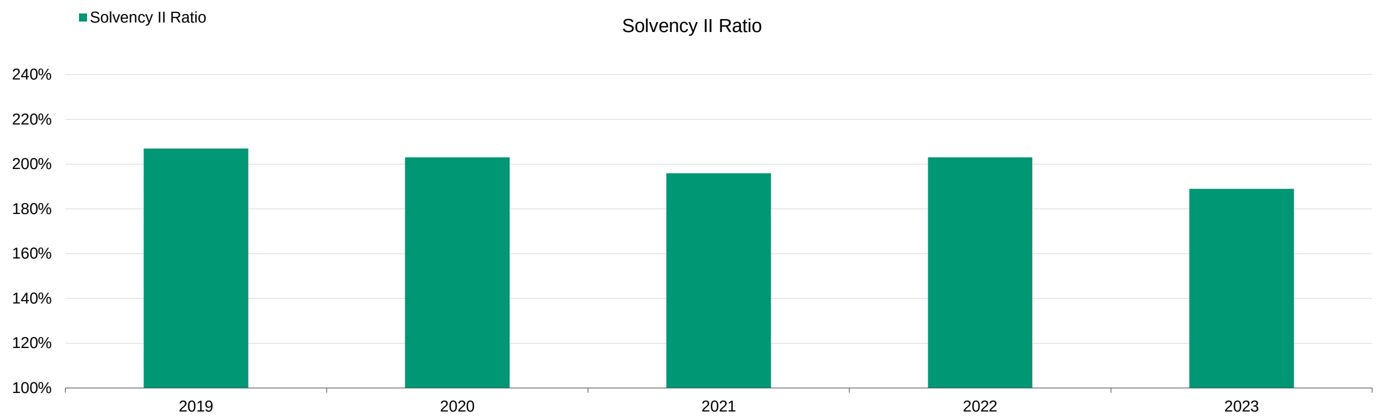
Capital adequacy: strong and stable solvency – A

Matmut's capitalisation is strong, with a solid and stable Solvency II ratio at the SGAM level, close to 200% on average over the last decade (YE 2023: 189%). We expect Matmut to maintain a Solvency II ratio above 180%.

As the business profile of Matmut is largely skewed toward domestic P&C, capital requirements are mostly driven by non-life underwriting risk and market risk. The group's solvency II ratio is sensitive to interest rate risk, and inflation risk (through claims inflation especially on the more long-tail business).

All companies forming the SGAM Matmut are joined together by financial solidarity links which start to be triggered when the Solvency II ratios of one entity is below 120%. As at YE2023, all the major entities of the SGAM Matmut have high solvency ratios.

Exhibit 4
Matmut's Solvency II ratio



Sources: Company's reports and Moody's Ratings

Profitability: Technical profitability under pressure in P&C, offset by diversification in other segments – Baa

Matmut has demonstrated a stable profitability over time, mostly underpinned by adequate investment results, which constitute a significant portion of the group's earnings (about 60% of profit before tax in 2022 and 90% in 2023, but expected to decrease back to 50% in 2024). Investment yield has been stable for Matmut over the years, between 2% and 3% on average (2023: 2.67%) including realized profits.

Nonetheless, the return on capital (Moody's calculation), which stood at slightly over 2% in 2023 and 3.2% on average in the last five years, is below our expectation for an A rated insurer.

This low profitability is mostly explained by the P&C results. 2022 and 2023's results were negatively impacted by natural catastrophes and related claims, resulting in combined ratios exceeding 100% for the P&C segment, particularly in motor and home. The hardening of the reinsurance market in 2023, and a consequent higher retention of risks for Matmut also weighed on results. We expect Matmut to continue to implement price increases and implement other measures to limit claims inflation (such as increasing the use of repair shops, spare parts platform integration, and process digitization) to improve P&C profitability, although profitability in this segment will remain moderate.

In health, results are positive and stable, although low (operating margin excl. financial result below 2% in 2022-23), but a slight improvement is expected in 2024 thanks to good volumes, and the contributions from Mgéfi should also strengthen underwriting performance.

We view positively the strategy of the group to further diversify in in life, health and protection, as this would reduce the group's reliance on the low margin P&C segment and would bring more stability to technical results.

Reserve adequacy: Prudent policy but inflation risks in motor liability- A

Matmut's reserve policy is prudent, as indicated by an average favorable loss development of reserves (2022-2023) in line with an A score. The group's reserving risk also benefits from the limited size of commercial exposure to date, and in recent years rising interest rates have also had a positive impact on reserves, especially in 2023.

In 2023, reserve for future claims on the motor segment amounted to €1.5 billion, dominated by liability coverage that was marked by a strong trend of claims inflation over the last years in France. In the home segment, reserve for future claims amounted to €876 million at YE 2023, and natural catastrophes accounted for 52% of this amount. We therefore consider that claims inflation risks in Motor remain the largest risk for reserve adequacy going forward.

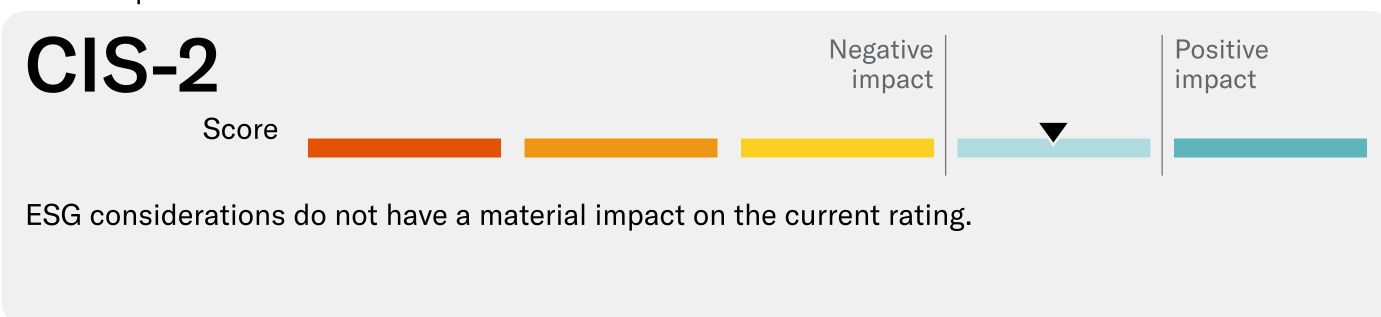
Financial Flexibility: Very low leverage partly constrained by the group's moderate size and access to capital markets – A

Matmut's financial leverage is very low. At YE 2023, adjusted leverage ratios (Moody's calculation) stood below 5% for both financial leverage and total leverage. Outstanding debt consists of bank borrowing, and pension obligations. Matmut could in theory issue RT1, and T2-T3 debt, respectively for €600 million, and €700 million to improve its Solvency II ratio. However access to capital markets remains limited at this stage and somewhat constrained by the moderate size of Matmut. The group's mutualist structure also prevents equity issuance if capital needs arise, which is not fully offset by potential issuance of mutual certificates.

ESG considerations

Matmut Societe d'Assurance Mutuelle's ESG credit impact score is CIS-2

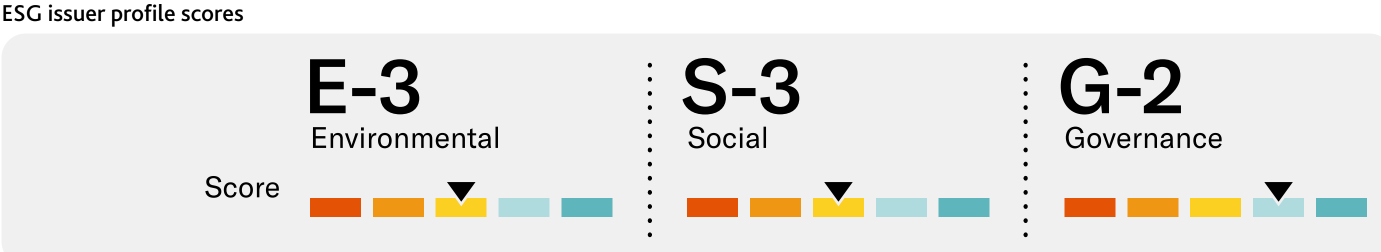
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

Matmut's **CIS-2** indicates no material impact of environmental social and governance factors on the rating. The group's clear and long-term oriented financial strategy and governance, coupled to its good level of capital and well-diversified business, helps mitigate its exposure to social and environmental risks, in particular customer relations risk on the life and health segment, and physical climate risk in the P&C segment.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Matmut is exposed to moderate environmental risk, notably physical climate risk arising from its P&C insurance business which is a major source of the group's revenues. This risk is moderated by its large and granular portfolio of mainly retail P&C clients and growing share of premiums from Small and Medium-size Enterprises (SME) with only moderate exposure to natural catastrophe risks, and largely covered by reinsurance treaties.. The exposure to carbon transition risk is low and arises from the long-duration assets held in the group's investment portfolio, especially for the life insurance business, which remains marginal but is expected to continue to grow.

Social

Matmut has high exposure to demographic and societal trends. Longer lifespans and aging populations will affect the demand for health and protection, retirement and estate planning products, as well as the pricing of life and health insurance policies as insurers manage mortality, longevity and morbidity risks. Increased political scrutiny on Health insurance prices will also potentially weigh on Matmut's ability to increase prices in the future in line with expected claims inflation and increasing frequencies. Finally, digital innovations are already disrupting distribution patterns for life insurers, with effects ranging from the underwriting process itself to how life insurance and retirement products are purchased.

Governance

Matmut faces low governance risks and its risk management, policies and procedures are in line with industry best practices. The group's mutual insurance governance is organized around the SGAM (Société de Groupe d'Assurance Mutuelle) Matmut, with a board and an executive committee for the decision making process. The issuer's financial strategy and risk management is strong, supported by a high level of capital and low leverage to date. The management team also benefits from a good track record of executing on business priorities. The focus on the French domestic market also makes the structure less complex than some peers, which have international operations too.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

Exhibit 7
Rating Factors

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								Aa	A
Market Position, Brand and Distribution (25%)								Aa	A
-Relative Market Share Ratio		X							
-Net Underwriting Expense Ratio	X								
Product Focus and Diversification (10%)								A	A
-Product Risk		X							
-P&C Insurance Product Diversification			X						
-Geographic Diversification					X				
Financial Profile								A	A
Asset Quality (10%)								A	A
-High Risk Assets % Shareholders' Equity			X						
-Reinsurance Recoverables (or Reinsurance Contract Assets) / Shareholders' Equity	X								
-Goodwill & Intangibles % Shareholders' Equity	X								
Capital Adequacy (15%)								A	A
-Gross Underwriting Leverage			X						
Profitability (15%)								A	Baa
-Return on Capital (5 yr. avg.)				X					
-Sharpe Ratio of ROC (5 yr.)		X							
Reserve Adequacy (10%)								Aa	A
-Net Loss Reserves Development / Beginning Net Loss Reserves (5 yr. wtd. avg.)		X							
Financial Flexibility (15%)								Aa	A
-Financial Leverage	X								
-Total Leverage	X								
-Earnings Coverage (5 yr. avg.)									
-Cash Flow Coverage (5 yr. avg.)									
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								Aa3	A2

[1] Information based on LOCAL GAAP financial statements as of fiscal year ended December 31, 2023. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.
Source: Moody's Ratings

Ratings

Exhibit 8

Category	Moody's Rating
MATMUT	
Outlook	STA
Insurance Financial Strength	A2

Source: Moody's Ratings

Endnotes

1 The bank ratings shown in this report are the bank's deposit rating, senior unsecured debt rating, and its Baseline Credit Assessment.

REPORT NUMBER 1422032

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454