

ISSUER COMMENT

20 January 2025



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RATINGS

Matmut Societe d'Assurance Mutuelle

Insurance Financial Strength	A2
Outlook	Stable

Source: Moody's Ratings

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Matmut Societe d'Assurance Mutuelle

Acquisition of HSBC Assurances Vie (France) would improve diversification, offsetting a likely weakening balance sheet

On 20 December 2024, Matmut Societe d'Assurance Mutuelle (Matmut, A2 insurance financial strength rating, stable outlook) said it has entered into exclusive negotiations to acquire HSBC Assurances Vie (France), part of HSBC Continental Europe (A1/A1 stable, a3¹) for €925 million. The transaction, which is expected to close in the second half of 2025, would materially enhance Matmut's business and profit diversification and reduce its dependence on its low margin French P&C business. This positive impact would offset a likely deterioration in Matmut's capitalization or financial flexibility should it decide to finance the acquisition partly through debt issuance. At this stage we do not expect the acquisition to affect Matmut's rating.

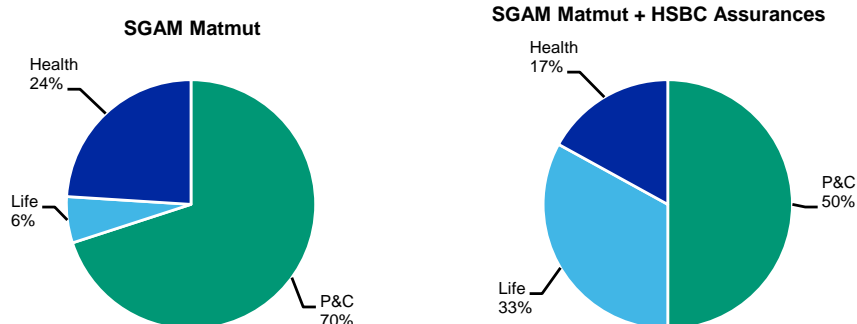
Improvement of Matmut's scale and diversification

The transaction would increase Matmut's exposure to life insurance, from approximately 6% of total premiums in 2023 to 33% on a proforma basis (Exhibit 1). The acquisition would be in line with Matmut's strategic view that life insurance is a key growth area, alongside protection and health. It would also add to the group's diversification efforts following the integration of Mgéfi (health insurer) into the combined prudential Matmut group (also known as SGAM Matmut) in 2023. With HSBC Assurances Vie (France) reporting €1.2 billion of premiums in 2023 and €19.8 billion of reserves as at YE2023 (Solvency II best estimate), the acquisition would position Matmut among the top 20 life insurers in France.

Exhibit 1

The acquisition of HSBC Assurances Vie (France) would materially improve Matmut's business diversification

Matmut's YE 2023 premiums, pro-forma the acquisition of HSBC Assurances



Sources: Companies' fillings and Moody's Ratings

The transaction would also significantly improve SGAM Matmut's profitability, which has historically been low. The group reported average return on capital of 3.2% and combined ratios above 100% in the core motor and home segments between 2019 and 2023, underperforming HSBC Assurances Vie (France) (Exhibit 2).

Exhibit 2

HSBC Assurances Vie (France) has reported higher profitability than Matmut
Historical net income and return on capital of Matmut SGAM and HSBC Assurances Vie (France)

	2023	2022	2021
MATMUT SGAM			
Net income	€44.1 m	€46.9 m	€88.1 m
Return on Capital	1.7%	2.0%	3.4%
HSBC Assurances Vie France			
Net income	€81.4 m	€73.3 m	€80.7 m
Return on capital	4.8%	4.2%	3.7%

Sources: Companies' Solvency and Financial Condition Reports and Moody's Ratings

If Matmut manages to retain HSBC Assurances Vie (France)'s clients, the acquisition would reduce Matmut's reliance on the competitive and low margin French P&C market and improve the group's ability to absorb the intrinsic volatility of the P&C business.

Likely weakening of the balance sheet

While Matmut has not yet disclosed details on how the transaction would be financed, we would expect it to weaken the group's balance sheet. If the acquisition is fully financed from internal resources, it would erode Matmut's capitalisation, while the group's financial flexibility would diminish if it decides to issue debt.

Nonetheless, we expect Matmut's Solvency II ratio to remain above 180%, as stated in its strategic plan. An increase in the life entity's capital requirements (Exhibit 3) would be partly offset by diversification benefits and would be partly covered by Solvency II own funds available at HSBC Assurances Vie (France) (such as deferred profit sharing reserves, or future profits). Matmut also proposes to acquire the life company for less than its YE2023 book value (€1.12 billion, French GAAP), which would reduce any negative capital impact. The profitability of the new enlarged group will also strengthen Matmut's capital generation going forward.

Exhibit 3

The addition of HSBC Assurances Vie (France) will increase capital requirements.
YE2023 Solvency II ratios of Matmut and HSBC Assurances Vie (France)

	Solvency II Own funds	o.w. Tier 1	o.w. Tier 2	SCR	Solvency II ratio
MATMUT SGAM	€2,582 m	€2,582 m	-	€1,369 m	188.6%
HSBC Assurances Vie France	€1,684 m	€1,390 m	€294 m	€587 m	286.9%

SCR = Solvency Capital Requirements

Sources: Companies' Solvency and Financial Condition Reports and Moody's Ratings

As shown in Exhibit 3, HSBC Assurances Vie's (France) own funds include €294 million of Tier 2 funds, which are subordinated debt. The company has issued a total of €420 million of subordinated debt (€100 million undated grandfathered as restricted Tier 1, and €320 million dated of which €294 million are eligible to cover capital requirements), all underwritten by HSBC Continental Europe.

Whether Matmut decides to keep these debts or issue new debt of its own to help finance the transaction, the impact on the group's financial leverage and earnings coverage metrics will be negative. Nonetheless, because Matmut has currently not issued any debt, it has some room to borrow without negatively affecting its rating.

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Limited short-term execution risks

Because Matmut has very limited life insurance operations, we do not expect the acquisition of HSBC Assurances Vie (France) to lead to major operational integration challenges. HSBC Assurances Vie (France) also distributes its products through a separate network (CCF's retail banking network²) which will be maintained as part as the transaction. We believe it is in CCF's interest to continue to sell life insurance products, as this activity is a key source of revenues for French banks.

This transaction could also lead to cross-selling opportunities. Matmut could sell more life insurance products through its existing branch network, but we do not expect this to account for a material share of revenues initially.

Moody's related publications

[Moody's Ratings assigns an A2 IFSR to Matmut Societe d'Assurance Mutuelle - 14 November 2024](#)

Endnotes

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

² Former retail banking activities of HSBC Continental Europe in France, sold in 2024 to the US fund Cerberus

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