

Research Update:

France-Based Insurer CNP Assurances Upgraded To 'A+'; Outlook Stable

November 4, 2021

Overview

- We believe smooth integration with the immediate parent La Banque Postale, an increasingly capital-light product mix, and closure of the bancassurance agreement in Brazil have reduced uncertainty around CNP's capital buffer at the 'AA' level.
- Under the expected full ownership by La Banque Postale, we expect the group will maintain its robust capital position at the 'AA' level as per S&P Global Ratings' capital adequacy requirements.
- We have therefore raised our ratings on CNP Assurances (CNP) and its core subsidiary CNP Caution to 'A+' from 'A'.
- The stable outlook reflects our view that CNP will retain its current strong market position and capital and earnings at the 'AA' level as per S&P Global Ratings' capital model.

Rating Action

On Nov. 4, 2021, S&P Global Ratings raised its long-term insurer financial strength and issuer credit ratings on CNP Assurances and its core subsidiary CNP Caution to 'A+' from 'A'. The outlook on all entities is stable.

At the same time, we raised our issue ratings on CNP Assurances' subordinated and junior subordinated debt to 'A-' from 'BBB+' and on its restricted tier 1 deeply subordinated notes to 'BBB+' from 'BBB'.

Outlook

The outlook is stable because we believe that, over the next 12-24 months, CNP will retain its strong market position, including geographic diversification of its business footprint. We also expect stable capital and earnings under the reshuffled shareholding structure, including capital adequacy at least at the 'AA' level under our model. We shall continue to closely monitor the progress of CNP's operational and financial integration with La Banque Postale.

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Downside scenario

We could lower the ratings if CNP suffered a significant and sustainable decline in earnings or capital adequacy, including in case of material capital upstreaming, or if the group's business position deteriorated unexpectedly. We would also lower the ratings if we downgraded La Banque Postale.

Upside scenario

Although we see it as a remote possibility, we may raise the ratings in the coming two years if CNP's competitive position improved materially as a result of an increase in profitability, along with sustained capital adequacy at the 'AA' level or higher.

Rationale

The upgrade reflects our view that CNP Assurances' financial risk profile will remain resilient to the persisting lower interest rate environment, supported by strong earnings and an increasing mix of capital-light unit-linked and protection insurance products.

Following its announced intention to buy back minority interests in CNP, La Banque Postale should become the sole shareholder of CNP. We do not expect CNP's financial policy to be affected by the new ownership structure. Closer synergies have already started to emerge, as reflected in the material increase in the sale of unit-linked policies. CNP could further reduce its sensitivity to interest rate risk through a higher product mix of unit-linked policies, since 49% of premiums are now unit-linked and represent 26% of reserves at the group level. For more than 20 years, French savings production has had no contractual minimum guarantee yield and overall average guaranteed yield across all existing liabilities was 0.17% at end-June 2021. We also view further integration of non-life business from La Banque Postale in coming years as favorable for business diversification.

We believe CNP will maintain capital adequacy at a very strong level, which supports our view of the group's very strong overall financial risk profile. CNP has a proven track record of building capital through retained earnings and increasing policyholder surplus reserves (€14.5 billion or 6.6% of technical reserves on June 30, 2021). We project capital adequacy will continue to exceed the capital requirement for the 'AA' confidence level under our capital model.

CNP has also successfully extended its exclusive distribution agreement with Caixa Economica Federal in Brazil. We believe the initial price as well as any additional amount to be paid for the renewal do not weaken CNP's very strong capital adequacy.

CNP's strong business risk profile remains underpinned by its leading market position on the French life insurance market. Outside France, CNP's business accounted for one-third of its premiums, which will increase further with the integration of Aviva's Italian business as of 2022.

Ratings Score Snapshot

	To	From
Financial strength rating	A+	A
Anchor	a+	a

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	To	From
Business risk	Strong	Strong
IICRA	Low	Low
Competitive position	Strong	Strong
Financial risk	Very strong	Strong
Capital and earnings	Very strong	Strong
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers		
Governance	Neutral	Neutral
Liquidity	Exceptional	Exceptional
Comparable ratings analysis	0	0
Support	0	0
Group support	0	0
Government support	0	0

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Ratings List

***** La Poste *****

Upgraded		
	To	From
CNP Assurances		
CNP Caution		
Issuer Credit Rating	A+/Stable/--	A/Stable/--
Financial Strength Rating		
Local Currency	A+/Stable/--	A/Stable/--

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***** La Poste *****

Upgraded

	To	From
CNP Assurances		
Subordinated	A-	BBB+
Junior Subordinated	BBB+	BBB
Junior Subordinated	A-	BBB+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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