S&P Global
Ratings

RatingsDirect®

Credit Agricole Assurances Group

Primary Credit Analyst:
Marc-Philippe Juilliard, Paris + 33 14 075 2510; m-philippe.juilliard@spglobal.com

Secondary Contact:
Taos D Fudji, Milan + 390272111276; taos.fudji@spglobal.com

Research Contributor:
Nadeem Shaikh, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Table Of Contents

Credit Agricole Assurances Group

Anchor	a+
Business Risk	**Very Strong**
Competitive position	Very strong
IICRA	Low
Financial Risk	**Strong**
Capital and earnings	Strong
Risk exposure	Moderately low
Funding structure	Neutral

+

Modifiers	0
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0

=

SACP	a+

+

Support	0
Group support	0
Government support	0

=

A/Stable/--
Holding company ICR

IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Leadership in the French life insurance market and fast-expanding position in the property/casualty (P/C) market.	Limited diversification because French life insurance activity generates about 80% of profits.
Extensive distribution network and brand recognition of Crédit Agricole group benefits revenue growth.	Moderately high financial leverage.
Well-diversified investment portfolio with no obligor or sector concentrations.	Relatively high level of dividend distributions.

Crédit Agricole Assurances (CAA) is the leading insurance provider for the Crédit Agricole group. The Credit Agricole group has the largest banking network in France and enjoys an estimated strong about 25% total market share in households' customer loans and deposits. CAA is a 100% owned subsidiary, heading the group's insurance activities. The company benefits from its membership in the Credit Agricole group, which provides CAA with a strong brand recall and superior distribution power thanks to an extensive distribution channel. In addition, the group's successful bancassurance business model enables materially faster growth than market average and cross-selling opportunities. We see this very strong competitive position as a key rating strength for CAA's 'a+' stand-alone credit profile (SACP).

Capital adequacy remains susceptible to volatility due to high dividend payments. CAA has a dividend payout policy of around 90%, which we consider relatively high. This could pose a risk of volatility to maintaining capital at the 99.95% confidence level. That said, we also consider CAA is able to reduce its upstream dividends, if necessary.

Outlook: Stable

The stable outlook reflects our view that, over the next two years, CAA group will consolidate its profitable leadership in French life insurance and continue to strengthen its French P/C insurance position, posting a P/C combined ratio (loss and expense) well below 100%. We also forecast capital adequacy will remain at the 99.95% confidence level, under our model, after an estimated dividend payout of 90% of profits and a moderate reduction in policyholder capital reserves. This is because both policyholder reserves and life future profits should remain at high levels.

Downside scenario

We could lower the ratings on CAA if we lower the ratings on Credit Agricole or if we forecast a prolonged weakening of capital adequacy under our model below the 99.95% confidence level. This could be due to a combination of factors including a very material drop in life future profits or policyholder capital reserves, repeated extraordinary capital upstreaming, or a major deterioration in the quality of CAA's investment portfolio.

Upside scenario

An upgrade of CAA is highly unlikely since it would require that we simultaneously raise the ratings on parent Credit Agricole group and revise up the group stand-alone credit profile (SACP) on CAA. CAA's limited geographical and business line diversification constrains our view of the group SACP.

Key Assumptions

- We assume eurozone real GDP growth of about 0.8% for 2024. For 2025 and 2026, we estimate growth of about 1.3% and 1.4% respectively.
- We anticipate French real GDP to remain flat around 1.1%. For 2025 and 2026, we expect a marginal improvement in GDP to 1.2% and 1.4%, respectively.
- Rising long-term risk-free rates, with average 10-year government bond yields in France of 2.9% in 2024 and 2.8% in 2025 and 2026, based on our economic estimates.

Credit Agricole Assurances Group--Key metrics

	IFRS 17	IFRS 17	IFRS 17
	2025f	**2024f**	**2023a**
Insurance revenue	>14,000	>13,500	13,467
EBIT*	>2,400	>2,400	2,411
Net income (group share)	~1,700	~1,700	1,756
S&P Global Ratings capital adequacy	>99,95	>99,95	>99,95
Return on shareholder's equity (%)	>10	>10	17.3
EBIT fixed-charge coverage* (x)	>8	>8	9.8
Financial leverage including pension deficit as debt (%)	>35	>35	39.9

Credit Agricole Assurances Group--Key metrics (cont.)	IFRS 17	IFRS 17	IFRS 17
	2025f	**2024f**	**2023a**
PC: Net combined ratio¶ (%)	<98	<98	96.6
Return on assets (including investment gains/losses) (%)	>0.5	>0.5	0.6

*Unadjusted EBITDA. ¶As calculatd by S&P Global Ratings on a discounted basis. a--Actual. f--Forecast.

Business Risk Profile: Very Strong

CAA has a leading market position in the French insurance market, benefitting from Credit Agricole group's recognized brand and extensive distribution network. In 2023, total revenues in terms of gross written premiums reached €37.2 billion, originating dominantly from France (87% of total gross written premiums) and its international operations (13% e.g., Italy and Luxembourg).

With a market share of more than 15%, CAA is the largest domestic insurer in France, notably through Predica and in nonlife insurance through Pacifica.

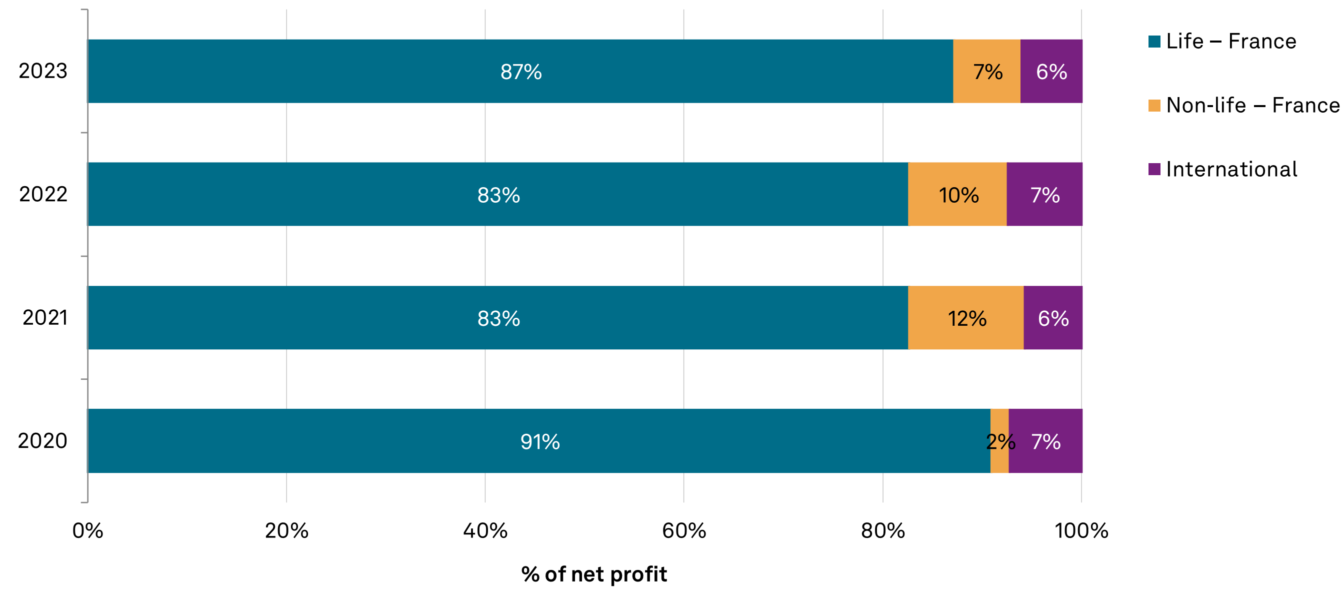
Predica is among the largest providers of traditional participating life insurance policies, unit-linked life insurance policies. Individual French pension plans are provided by Credit Agricole Assurances Retraite. The life business has generated sound results in the period of very low interest rates of 2017-2021, demonstrating the capacity to reduce credited rates to policyholders with no impact on the positive net inflows of new business. However, in 2023 Predica significantly raised its credited rates on its traditional guaranteed contracts by nearly 50 basis points to an average of 2.8% from 2.3%. We believe the increased return remains sustainable but illustrates the very competitive nature surrounding the French life insurance market, notably pushed by the attractiveness of a government incentivized special banking deposit called Livret A.

Pacifica ranks sixth in the French nonlife segment and has performed in line with its peers. Pacifica displayed better loss ratios and combined ratios (the industry's main measure of underwriting profitability) than the French industry average, despite the commissions to the Credit Agricole group's branch networks. We expect Pacifica to continue to outperform the French P/C market average and grow by 5% per year.

Chart 1

Limited diversification in terms of profitability

Breakdown of net income (Group share) by business segment



Source: S&P Global Ratings. Company financials

Financial Risk Profile: Strong

The implementation of our revised capital model criteria had a positive impact on the financial risk profile of CAA. This was majorly due to the improvement in capital adequacy, primarily reflecting an increase in total adjusted capital (TAC). The increase in TAC resulted from the removal of haircuts and absence of capital charges on the contractual service margin (CSM), which we now consider as an equity-like life reserve. Thus, our view of the capital adequacy has significantly strengthened with the enhanced transparency under International Financial Reporting Standard (IFRS) 17, which gives greater visibility of future profits for the insurance sector through the CSM.

We've also captured the benefits of risk diversification more explicitly in our analysis, which further supports capital adequacy. Moreover, the inclusion of noneligible hybrid instruments as debt-funded capital in TAC also benefits capital adequacy.

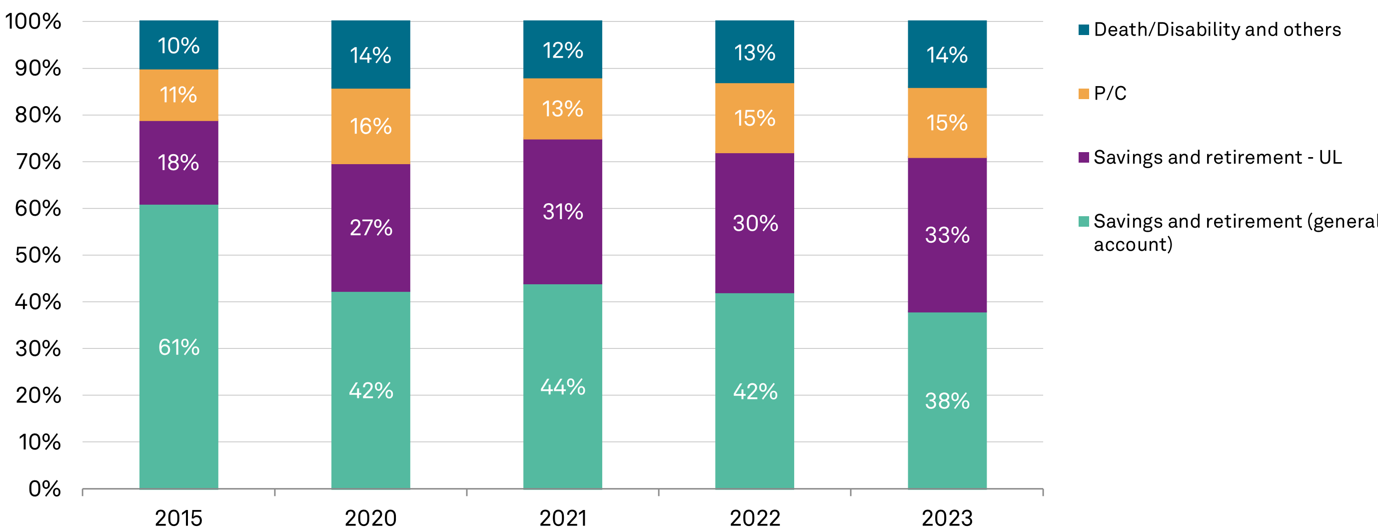
However, CAA has a high dividend payout policy of around 90%. This could make capitalization susceptible to volatility. In past years, the company has also paid an exceptional dividend of around €2 billion, aimed at offsetting the effect on Credit Agricole S.A.'s CET1 of the implementation of the new IFRS17 accounting standard. . However, we believe that CAA will be able to maintain capitalization at least at current levels of 99.95% for the forecast period. Morover, we consider CAA is able to reduce its upstream dividends, if necessary.

CAA has a well-diversified investment portfolio with no particular obligor or sector concentrations. CAA's fixed-income portfolio is of high average credit quality. However, investments that we consider high risk (speculative-grade or unrated bonds, equities, alternative investments, and real estate) exceed the amount of TAC. In our view, these risks are mitigated by CAA's ability to share investment losses with policyholders due to the profit-sharing characteristics of the French life insurance products. Despite the sharp rise in credited rates to policyholders in 2022, CAA's policyholders' bonus reserve did not decline substantially and stood at nearly €10 billion at year-end 2023.

Chart 2

Diversifying business model

Increasing share of unit linked (UL) and P/C



Source: S&P Global Ratings.

Other Key Credit Considerations

Liquidity

The company's exceptional liquidity is based on strong underwriting cash flows and liquid investments.

Factors specific to the holding company

The GCP on CAA is 'a+', one notch higher than the group SACP on parent GCA but in line with the long-term ratings on GCA's core bank operating entities, which benefit from one notch of uplift from additional loss-absorbing capacity.

Our long-term issuer credit rating on CAA is one notch below our ratings on the group entities, reflecting its status as an intermediary nonoperating holding company (NOHC) owned by a bank. Although CAA relies on dividends upstreamed from Predica and Pacifica, which creates a degree of structural subordination, its ownership by a large banking group also implies potential for the NOHC to receive parent support.

Group support

CAA's core status reflects the importance of its contributions to the Credit Agricole group's profits. In 2023, CAA contributed €1.7 billion to its parent's profits.

It also reflects our view of the subsidiaries' high integration within the Credit Agricole group and their key importance to its strategy.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	**Strong**	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	**aa-/a+**	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of January 13, 2025)*	
Credit Agricole Assurances	
Issuer Credit Rating	A/Stable/--
Subordinated	BBB+

Ratings Detail (As Of January 13, 2025)*(cont.)	
Related Entities	
Pacifica IARD	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
Predica	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
Domicile	France

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.