

CREDIT OPINION

11 July 2024

Update



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RATINGS

MACIF

Domicile	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.

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MACIF

Update to credit analysis

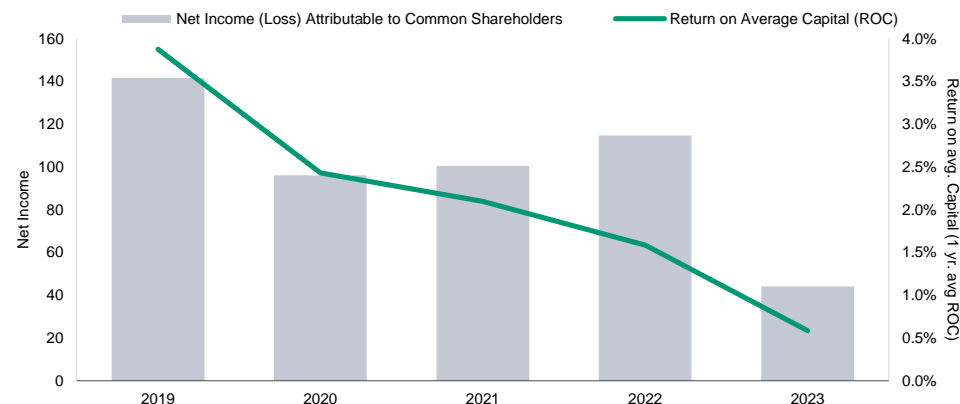
Summary

The credit profile of [MACIF](#) (insurance financial strength A2 stable), which reflects [Aéma Groupe](#)'s overall strength, is supported by (i) the group's strong positions in the French retail market, (ii) its low business risk profile resulting from a focus on retail lines and low average guaranteed rate in the life business, (iii) broad product diversification including a good balance between life and non-life activities and (iv) strong distribution capabilities, including a well-developed and low-cost proprietary distribution network. These strengths are partially offset by very low profitability (Exhibit 1), a lack of geographic diversification outside the home country, as well as a relatively high level of high-risk assets.

MACIF is a mutual insurer and is part of the larger Aéma Groupe, which also includes the activities of the health mutual insurance group Aesio. MACIF is subject to financial solidarity links with all mutual entities of Aéma Groupe. MACIF also owns several insurance companies, including [Abeille Assurances](#)¹ acquired from [Aviva Plc](#) (senior unsecured debt A2, stable) in 2021 and not in the scope of the financial solidarity mechanisms. Abeille Assurances' operating subsidiaries [Abeille Vie](#), [Abeille Retraite Professionnelle](#) and [Abeille IARD et Santé](#) carry A2 insurance financial strength ratings with stable outlooks, in line with MACIF's rating, reflecting their ownership and strong strategic ties with their owner.

Exhibit 1

Aéma Groupe reports modest profitability, with a notable contraction in 2023
Aéma Groupe's net income group share (€m) and return on capital (%)



Sources: Company's annual reports and Moody's Ratings

Credit strengths

- » Leading market positions domestically in the motor and property retail insurance markets as well as in life insurance
- » Strong brand recognition of MACIF, l'AFER and Abeille Assurances in France

- » Reliable and cost-efficient proprietary distribution network as well as strong distribution partners
- » Low risk profile in non-life due to retail focus and contained risk profile in life thanks to low average guaranteed rates
- » Good business diversification between Property & Casualty (P&C), life and health insurance

Credit challenges

- » Moderate financial leverage and operational risks linked to the integration of Abeille Assurances
- » Low overall profitability with topical weakness in P&C, particularly at Abeille, and health
- » Damage cost inflation hurting the profitability of the non-life business
- » Increased risk retention of natural catastrophes due to unfavourable reinsurance market
- » High level of high-risk assets in the investment portfolio
- » No geographic diversification outside of France

Rating outlook

The stable outlook on MACIF's IFSR indicates that we expect Aéma Groupe to at least maintain, and possibly improve, its financial profile in the next 12-18 months. This would likely be the result of profitability improvements and modest financial deleveraging.

Factors that could lead to an upgrade

MACIF's ratings could be upgraded following a combination of:

- » Improved profitability in the P&C and health segments as evidenced by a sustained decrease of the combined ratio below 95% across the insurance cycle; and
- » Stronger capitalisation, as evidenced by a Solvency II ratio increasing sustainably above 200%, and lower financial leverage.

Factors that could lead to a downgrade

Conversely, MACIF's ratings could be downgraded in case of:

- » A weaker capitalisation, as evidenced by a durable decline of the Solvency II ratio below 150%;
- » A deterioration in profitability evidenced by a combined ratio consistently above 103%; or
- » A material deterioration of asset quality.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

MACIF [1][2]	2023	2022	2021	2020	2019
As Reported (Euro Millions)					
Total Assets	142,113	141,546	141,885	38,153	36,878
Total Shareholders' Equity	5,219	5,171	5,111	3,406	3,302
Net Income (Loss) Attributable to Common Shareholders	51	122	104	97	144
Gross Premiums Written	15,684	16,131	11,035	6,663	6,520
Life Insurance Gross Premiums Written	6,612	7,436	4,074	2,271	2,216
Property & Casualty Insurance Gross Premiums Written	9,072	8,695	6,961	4,393	4,304
Net Premiums Written	14,478	15,145	10,427	6,466	6,314
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	353.8%	238.0%	435.5%	251.4%	239.4%
Reinsurance Recoverables (or Reinsurance Contract Assets) / Shareholders' Equity	30.3%	47.8%	36.4%	34.9%	33.1%
Goodwill & Intangibles % Shareholders' Equity	22.5%	17.4%	9.0%	10.0%	8.8%
Shareholders' Equity % Total Assets	2.8%	3.3%	2.4%	7.0%	7.1%
Return on Average Capital (ROC)	0.6%	1.6%	2.1%	2.4%	3.9%
Sharpe Ratio of ROC (5 yr.)	175.3%	212.4%	248.3%	291.1%	NA
Adv. (Fav.) Loss Dev. % Beg. Reserves	-1.5%	-5.0%	-2.9%	3.2%	-1.7%
Financial Leverage	22.1%	26.7%	22.3%	15.0%	15.8%
Total Leverage	34.2%	38.1%	34.5%	18.0%	18.8%
Earnings Coverage	1.5x	2.8x	3.7x	5.3x	9.1x
Net Unrealized Gain(Loss) % Shareholders' Equity	-89.8%	-155.6%	53.9%	118.6%	107.7%

[1] Information based on LOCAL GAAP financial statements as of the fiscal year ended 12/31/2023. [2] Certain items may have been relabeled and/or reclassified for global consistency.

Note: The accounts presented above are Aéma Groupe's consolidated accounts.

Sources: Company filings and Moody's Ratings

Profile

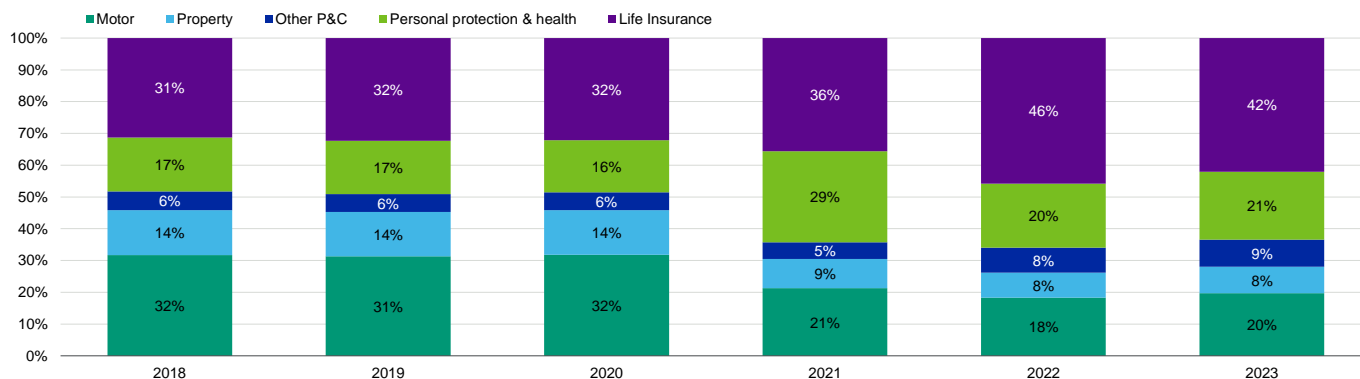
Aéma Groupe is a mutual insurance group resulting from the combination of MACIF and Aesio, effective from January 2021. Since 30 September 2021, the group also incorporates Aviva France, the French subsidiary of [Aviva Plc](#) (senior unsecured debt A2, stable), acquired and rebranded Abeille Assurances.

MACIF is the main P&C operating entity of the group writing non-life insurance, as well as a holding company owning stakes in a number of subsidiaries, including Mutavie (life), Prevoyance Aesio Macif (protection), OFI Invest (asset management) and Abeille Assurances. Besides MACIF, Aéma Groupe also encompasses a network of health mutuals. These health mutuals and MACIF are subject to financial solidarity links.

Following the acquisition of Abeille Assurances, the business mix of the group shifted towards a higher proportion of life insurance. In 2023, the revenue mix consisted of life insurance (42% of total premiums earned), protection and health insurance (21%), motor insurance (20%), property insurance (8%), and other P&C (9%).

Exhibit 3

The successive entries of Aésio and Abeille Assurances within Aéma Groupe have shifted the business mix towards health and life insurance
Business mix in % of total gross written premiums



Source: Company reports and Moody's Ratings.

Detailed credit considerations

Market position: strong domestic franchise with leading positions in life and non-life

Aéma Groupe has a strong domestic footprint in the fragmented French insurance market with an overall market share of close to 5%, which makes the group the 4th largest French insurer in 2023.

Aéma Groupe is particularly strong in motor and home insurance with a ranking of 2nd largest in France. The company benefits from the strong recognition of the MACIF brand. It has been able to maintain its market share in the P&C segment in recent years and grow its number of mutualist members (5.8 million individuals as of year-end 2023) despite strong competition, in particular from bancassureurs.

The group also has solid positions in health and protection (personal risk) insurance in France. Its business mix in health and protection insurance is broadly 60% individual contracts and 40% collective contracts. The group claims to be the 3rd largest health and protection insurer in France.

Although Aéma Groupe was a relatively small player in life insurance with its life subsidiary Mutavie before the acquisition of Abeille Assurances, the group is now the 5th largest life insurer in the French market and also ranks as the 5th largest French asset manager. Abeille Assurances is a long-standing partner of L'AFER², the leading savings association in France with around 750,000 members and total assets under management of €55 billion at year-end 2023.

OFI Invest, the group's asset manager, reported €204 billion of assets under management (AUM) at the end of 2023, up 12% year-on-year due to the acquisition of Egamo with €18.5 billion AUM.

We believe that Aéma Groupe is well positioned as a traditional mutualist insurer with well-known brands to maintain its market shares, competing with bancassureurs and independent insurers. As a result, the group's domestic franchise should remain strong.

Distribution: good control and diversity of distribution capabilities

We view distribution as a strength for Aéma Groupe, as the group has a high degree of control of its product distribution and good access to diverse distribution channels. Aéma Groupe sells insurance through a well-trained proprietary salaried network and tied agents (70% of sales), intermediaries (>20%) and financial advisors (<10%).

MACIF has historically relied on a proprietary physical branch network and proprietary call centers selling exclusively the group products, whereas Abeille Assurances made half of its sales through intermediaries and a third through tied agents. Abeille Assurances also own some of their distribution partners, such as Epargne Actuelle (a broker fully owned by [Abeille Vie](#)) and UFF (a private bank owned by Abeille Vie), enabling good control of these distribution networks. Although Abeille Assurances have an overall lower degree of control on their distribution forces, the variety of channels brings distribution diversification to Aéma Groupe.

Product risk and diversification: good product mix and overall low risk profile

Aéma Groupe's product offering is well diversified and benefits from a healthy balance between life insurance (42% of group revenue in 2023), P&C insurance (37%) and health and protection (21%).

In P&C and health and protection, Aéma Groupe mostly writes highly diversified retail risks, which we consider as low risk overall. Nonetheless, we consider motor third party liability in France as a longtail line of business where it is difficult to estimate the ultimate cost of claims. In addition, Aéma Groupe inherited from commercial line products in Abeille's portfolio such as construction insurance, which we consider as long-tail risk. Aéma Groupe intends to develop multi-risk insurance towards professionals and small and medium-sized businesses, which is currently small. The risks are more concentrated by nature in this segment than insurance towards individuals. The company is also exposed to natural catastrophe and climatic risks which it manages through reinsurance treaties.

Product risk is higher in the life business than in retail-focused P&C. However, the very low guaranteed rates on traditional saving products ("contrats euros"), which are close to zero³, limit the risk of these contracts. The gross interest rates paid to Aéma Groupe's life policyholders on the guaranteed contracts were significantly above the guaranteed rates in 2023⁴. Another mitigating factor of life product risk is the increasing proportion of customers' investments in unit-linked products (28% of outstanding life balances at year-end 2023, compared to just 3% at MACIF in 2020), on which the insurer bears limited investment risk. Although Aéma Groupe still has a higher proportion of traditional savings than some insurers, the acquisition of Abeille Assurances and its asset management arm has enabled the group to increase the proportion of unit-linked products in its contracts.

More negatively, the group has virtually no geographic diversification outside France.

Asset quality: relatively high level of equities and real estate investments, mitigated by ability to share asset losses with policyholders

Aéma Groupe's investment portfolio of €97.5 billion (year-end 2023) was of good quality, with notably 76% of fixed-income securities and 4% of cash as of year-end 2023.

However, Aéma Groupe's investment portfolio also included a relatively high share of equities and participations (10% of assets) and real estate investments (10%) at year-end 2023. High-risk assets (namely equities, real estate and below investment grade or non-rated bonds and loans) represented approximately 340% of own funds as of year-end 2023, which is high for an A2-rated issuer under our rating methodology, although a portion of these assets are in fact fixed-income mutual funds. We expect high-risk assets to stabilise or decrease going forward, after a long trend of gradual increase of exposure to illiquid/riskier assets in search for yields in a context of decreasing interest rates. The rise in the yield of high-quality fixed-income assets has enabled Aéma Groupe to find favourable alternatives to high-risk assets.

Aéma Groupe's solvency is partially protected by its ability to pass on losses made on its investment portfolio corresponding to life engagements to policyholders, thanks to the management of its crediting rates. As such, a large part of the risk is shared with policyholders.

Capital adequacy: good but volatile Solvency II ratio

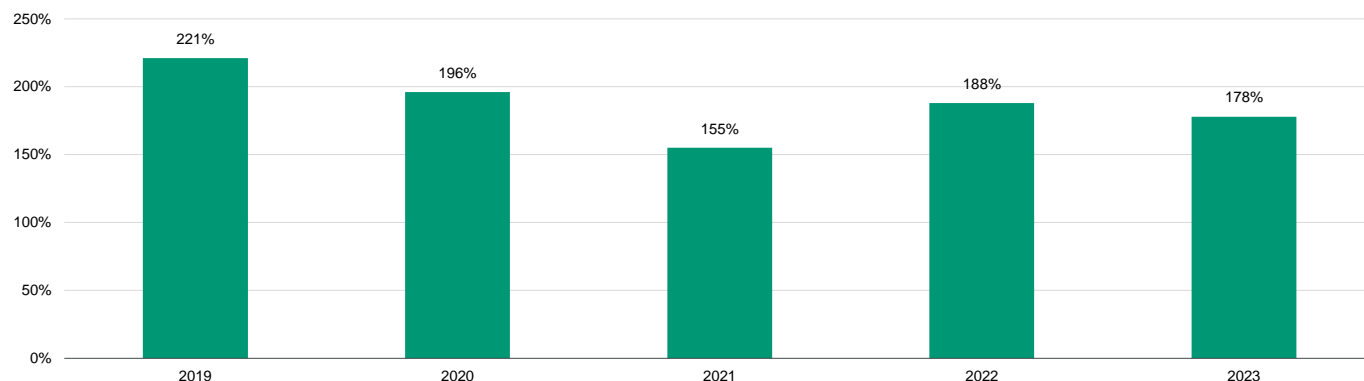
Aéma Groupe's solvency profile is good, albeit somewhat moderate versus its close peers and relatively volatile due to the high proportion of guaranteed life business. The group's Solvency II ratio was 178% as of year-end 2023, with 74% of own funds made of unrestricted Tier 1 equity. Being a mutualist group enables Aéma Groupe to retain the vast majority of its earnings in order to strengthen its solvency ratio, although the current weak profitability does not enable significant capital build-up.

The sensitivity to interest rates recently decreased with higher rates. As of end-December 2023, Aéma reported that a 50-bps increase would add 3 percentage point to the Solvency II ratio, while a symmetrical move downwards would remove 4 percentage points. Aéma is particularly sensitive to real estate prices, with a 10% drop reducing the Solvency II ratio by 9 percentage points.

Exhibit 4

The Solvency II ratio rebounded post acquisition of Abeille Assurances (2021) thanks to higher interest rates

Solvency II ratio of the consolidated group



Groupe MACIF (2019, 2020) and Améa Groupe (2021, 2022, 2023).

Source: Company reports

Profitability: very modest profitability to improve over time

Aéma Groupe's profitability is very modest, as evidenced by a return on average capital of only 0.6% in 2023 down from 1.6% in 2022. Similarly to the French market, the 2023 net income of the Aéma Group has been impacted by the ongoing inflation of claim costs and weather events.

The environment is generally adverse for non-life profitability due to high cost inflation across the board, including for labour, repairs, spare parts and raw materials in P&C, but also in health with cost increase of medical interventions and regulatory changes inflating the costs borne by health insurers. Poor profitability was more particularly driven by Abeille's P&C business, weak performance at Aesio Health Mutuels on certain collective health contracts and, in 2023, higher retention of natural catastrophes following a hardening of the reinsurance market.

In P&C, Aéma Groupe reported a combined ratio of 105.6% in 2023. In health and personal protection ("prévoyance"), the combined ratio was 100.9% in 2023. The French healthcare reform "100% Santé", introducing the full reimbursement of audiology, dental care and optical care which started on 1 January 2021, has aggravated the issues plaguing the profitability of health mutuels, i.e. heated competition, tight pricing and healthcare cost inflation. Nonetheless, the group has been able to considerably overhaul the profitability of the health business by decisively increasing prices and exiting certain loss-making segments.

We believe that profitability should rebound as (1) the group increases insurance premiums in motor and health insurance and (2) the additional provisioning of Abeille's IARD business up to Macif's underwriting standards subsidies. However, reinsurance coverage for the year 2024 remains similar to that of 2023, offering levels of protection that are still below those that Macif previously benefitted from, which means that the group's profitability will remain highly sensitive to weather events.

Liquidity and ALM: good level of liquidity, despite exposure to interest rate risk

Aéma Groupe has strong asset and liability management (ALM) capabilities. A liquidity risk run by the group is that of a sharp rise in interest rates which would impact valuations of its fixed-income portfolio, representing the vast majority of its investments, and potentially results simultaneously into policyholders' redemption of traditional life saving products (surrender risk). Nonetheless, Aéma Groupe keeps a high share of liquid instruments on its asset portfolio. Additionally, the surrender risk is partly covered by a low duration of assets compared to the duration of liabilities.

The sudden rise in interest rates which occurred in 2022 has resulted in large unrealised losses in fixed-income of €6.6 billion as of year-end 2023, albeit aggregate unrealised portfolio losses reached only €2.5 billion at the same date which represented a mere 2% of the total investment portfolio. The group's life entities were subject to net outflows of €1.7 billion in 2023, of which €1.4 billion in the traditional savings business ("contrats euros"), against the backdrop of increasing competition stemming from regulated saving accounts (Livret A, LDDS and LEP), which is in line with the insurance market.

Reserve adequacy: conservative reserving approach resulting in favourable reserve developments

Aéma Groupe's overall reserve adequacy is adequate and its reserving policy is conservative in our opinion. The group has consistently been able to release reserves, with the exception being 2020 during the Covid-19 pandemic, which illustrates a rather prudent reserving policy. Aéma Groupe's reserving risk benefits from its diverse book of retail activities and the limited size of its commercial activities. Higher interest rates will also cause some mathematical provisions of annuities to be released due to higher discount rates, which is the reverse of what was happening in recent years.

Financial flexibility: leverage increased post acquisition but is now on a downward trend

Aéma Groupe's debt leverage is relatively high but in line with an A2 rating. At year-end 2023, adjusted financial leverage, which includes equity credit for certain subordinated instruments, was 22.1% (26.7% in 2022) and total leverage was 34.2% (38.1% in 2022), which is down from the previous year thanks to the redemption of €400 million of Tier 2 debt.

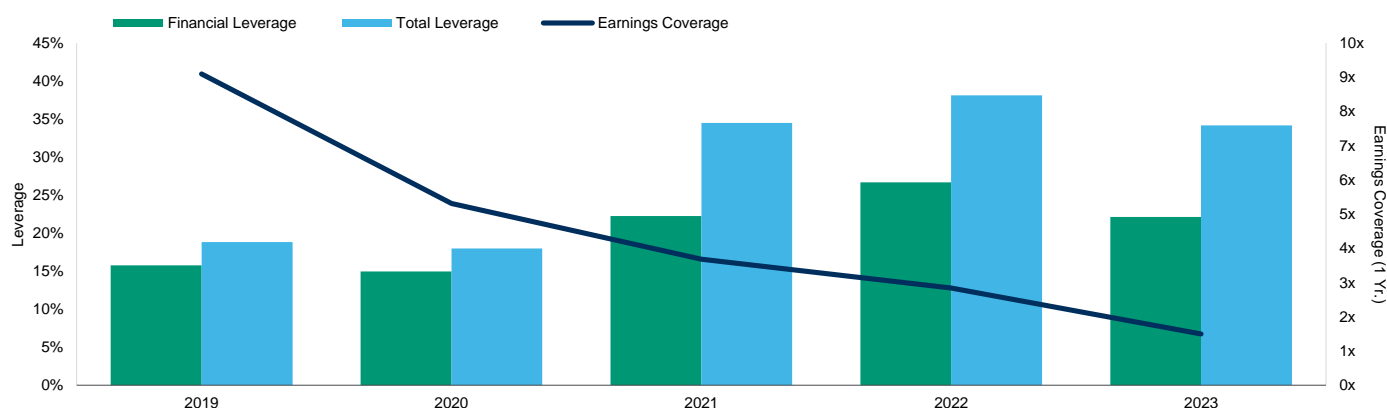
The rise of debt leverage in 2021 was incurred through the acquisition of Abeille Assurances, which was financed in part through MACIF's own equity but also in part through the issuance of €1.75 billion of subordinated debt in June 2021: €500 million of Tier 3 subordinated debt due 2027, €850 million of Tier 2 junior subordinated debt due 2052 and €400 million perpetual Restricted Tier 1 securities. Aéma Groupe's leverage continued to increase in 2022, as the group issued €500 million Tier 2 debt due 2033 out of Abeille Vie. As expected, the Group redeemed in March 2023 €400 million of Tier 2 debt (issued via MACIF), which explains the decreased leverage in 2023.

Financial leverage may slightly decrease going forward with the possible call of another €124 million of Tier 1 securities in 2024. Further deleveraging will likely be moderate in the short term in view of the group's modest profitability and its willingness to keep solid regulatory solvency ratios with the contribution of subordinated debt issuance. Overall, despite relatively high leverage, we consider that Aéma Groupe's financial flexibility should remain broadly adequate for the rating category.

Exhibit 5

Financial Flexibility has deteriorated since the acquisition of Abeille Assurances, but is now improving

Adjusted financial leverage*, total leverage and earnings coverage for Aéma Groupe



*Adjusted financial leverage ratios have been restated due to the update of the hybrid-equity credit cross-sector methodology

Source: Company's annual reports and Moody's Ratings

Support and structural considerations

The ratings of the subordinated debt, junior subordinated debt and restricted Tier 1 notes are consistent with Moody's standard notching practices for debt issued by insurance operating companies:

- » The Baa1(hyb) rating of the dated subordinated Tier 3 notes reflects (i) the subordinated ranking of the debt, (ii) the mandatory coupon deferral mechanism in case of breach of the minimum capital requirement (MCR) at the level of MACIF or Aéma Groupe and (iii) the cumulative nature of deferred coupons, in case of deferral.

- » The Baa1(hyb) rating of the dated junior subordinated Tier 2 notes reflects (i) the subordinated ranking of the debt, (ii) the optional and mandatory coupon deferral mechanism in case of breach of the solvency capital requirement (SCR) or MCR at the level of MACIF (or Abeille Vie in the case of its Tier 2) or Aéma Groupe and (iii) the cumulative nature of deferred coupons, in case of deferral.
- » The Baa3(hyb) rating of the perpetual restricted Tier 1 notes reflects their deeply subordinated status, the risk of coupon cancellation on a non-cumulative basis and the risk of principal write-down under certain circumstances. The notes will be fully written down if MACIF's or Aéma Groupe's own funds fall below 75% of the SCR or below their MCR. The notes will be partially written down if MACIF's or Aéma Groupe's own funds fall between 100% and 75% of the SCR for more than three months.

ESG considerations

MACIF's ESG credit impact score is CIS-2

Exhibit 6

ESG credit impact score

CIS-2



ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

Aéma Groupe's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited impact from environmental and social risks on the rating to date. The group's good level of capital and strong diversification mitigate physical climate risk, carbon transition risk, customer relations risk and societal trend risk.

Exhibit 7

ESG issuer profile scores

ENVIRONMENTAL

E-3



SOCIAL

S-4



GOVERNANCE

G-2



Source: Moody's Ratings

Environmental

Aéma Groupe's environmental risk is moderate. The group has moderate exposure to physical climate risks through its P&C activities, although natural catastrophes are largely covered by reinsurance treaties. It also has moderate exposure to carbon transition risk through the long-duration assets held in its investment portfolio and inherent asset leverage, especially in its life insurance business. Nonetheless, Aéma Groupe is actively engaged in further developing its comprehensive risk management and climate risk reporting frameworks, and increasing the alignment of its business with the transition to a low-carbon economy.

Social

Aéma Groupe is exposed to high customer relations risk, in relation to the sale of its products and the significant interaction with its retail customers, particularly in its life and health insurance businesses. Rising digitization and interconnectedness of devices will also increase customer privacy and data security risks. Demographic and societal trends can make the operating environment more challenging, including giving rise to societal risks related to the high level of government scrutiny on the insurance business in France.

Governance

Aéma Groupe faces neutral-to-low governance risks, and we consider its risk management, policies and procedures are in line with industry best practices. The group's acquisition of Aviva France demonstrates a relatively aggressive financial strategy, leading to an increase in financial leverage. Nonetheless, Aéma Groupe aims to progressively increase its Solvency II ratio. The management credibility and track record of achieving strategic, operational and financial objectives will be established over time.

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 8

MACIF

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	ScoreAdj	Score
Business Profile								A	A
Market Position and Brand (20%)								Aa	A
-Relative Market Share Ratio		X							
Distribution (5%)								A	A
-Distribution Control		X							
-Diversity of Distribution				X					
Product Focus and Diversification (10%)								A	A
-Product Risk - P&C		X							
-Product Risk - Life				X					
-Product Diversification	X								
-Geographic Diversification					X				
Financial Profile								Baa	A
Asset Quality (10%)								Ba	A
-High Risk Assets % Shareholders' Equity							X		
-Reinsurance Recoverables (or Reinsurance Contract Assets) / Shareholders' Equity	30.3%								
-Goodwill & Intangibles % Shareholders' Equity		22.5%							
Capital Adequacy (15%)								Ba	A
-Shareholders' Equity % Total Assets					X				
Profitability (15%)								Baa	Baa
-Return on Capital (5 yr. avg.)				2.1%					
-Sharpe Ratio of ROC (5 yr.)				175.3%					
Liquidity and Asset/Liability Management (5%)								A	A
-Liquid Assets % Liquid Liabilities			X						
Reserve Adequacy (5%)								Aa	Aa
-Net Loss Reserves Development / Beginning Net Loss Reserves (5 yr. wtd. avg.)		X							
Financial Flexibility (15%)								A	A
-Financial Leverage			22.1%						
-Total Leverage			34.2%						
-Earnings Coverage (5 yr. avg.)			4.5x						
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								Baa1	A2

[1] Information based on LOCAL GAAP financial statements as of fiscal year ended 12/31/2023. [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 9

Category	Moody's Rating
MACIF	
Rating Outlook	STA
Insurance Financial Strength	A2
Subordinate	Baa1 (hyb)
Junior Subordinate	Baa1 (hyb)
Pref. Stock Non-cumulative	Baa3 (hyb)
ABEILLE IARD ET SANTE	
Rating Outlook	STA
Insurance Financial Strength	A2
ABEILLE VIE	
Rating Outlook	STA
Insurance Financial Strength	A2
ABEILLE RETRAITE PROFESSIONNELLE	
Rating Outlook	STA

Insurance Financial Strength

A2

Source: Moody's Ratings

Endnotes

- [1](#) Previously called Aviva France.
- [2](#) L'Association Française d'Epargne et de Retraite.
- [3](#) Guaranteed rates were reported by Aema Groupe to be 0% for Mutavie and 0.15% for Abeille Vie in 2023.
- [4](#) Average credited rates were 2.67% for MACIF and 2.24% for Abeille Vie in 2023.

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