

FITCH UPGRADES UNIPOLSAI'S RESTRICTED TIER 1 RATING

Bologna, 8 March 2024

UnipolSai Assicurazioni S.p.A. informs that Fitch Rating Agency upgraded the Restricted Tier 1 rating (XS2249600771) from BB to BB+.

The Rating upgrade occurs in the context of an update of Fitch Ratings' methodology that has improved its rating on certain types of subordinated issues mainly of European insurance and reinsurance companies.

Please find attached the full text of the press release issued by the Fitch Ratings.

UnipolSai Assicurazioni

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RATING ACTION COMMENTARY

Fitch Upgrades 27 Insurance Hybrids on Updated Criteria

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Fitch Ratings - Frankfurt am Main - 07 Mar 2024: Fitch Ratings has upgraded by one notch 26 EU/UK Solvency II (S2) restricted Tier 1 (RT1) and Tier 3 (T3) hybrid debt ratings, as well as a deeply subordinated debt class that forms part of a medium-term note (MTN) programme in Hong Kong. These rating actions across 16 insurance groups follow the publication of Fitch's updated Insurance Rating Criteria on 4 March 2024.

The notching of S2 Tier 2 debt instruments is unaffected. The underlying ratings (Insurer Financial Strength ratings and Issuer Default Ratings (IDRs)) of the issuing entities are also unaffected by today's rating actions.

A full list of rating actions is available below.

KEY RATING DRIVERS

Under the updated criteria, Fitch has revised its assessment of incremental non-performance risk of certain classes of subordinated securities, primarily issued by European insurers/reinsurers. This reassessment is based on a review of coupon cancellation risk (for S2 RT1 as well as for one class of Tier 1 debt that forms part of Hong Kong-based Prudential Plc's MTN programme) and principal deferral risk (S2 T3), which has resulted in the upgrade by one notch of these hybrid ratings.

For S2 RT1, we now believe the likelihood of regulatory pressure on insurers to defer coupons where the solvency capital requirement (SCR) is maintained above the regulatory minimum is low; for S2 T3, we believe the risk of deferring principal at the maturity redemption date (ie. extension risk) is lower than our prior assessment.

We have reduced our base-case downward notching from an IDR anchor to three from four for S2 RT1 instruments, as well as for Prudential Plc's Tier 1 debt class. The notching now comprises incremental non-performance risk of one notch, reduced from two notches previously, and two notches for recovery prospects, which remain unchanged. Despite the reduced notching for non-performance risk, it remains

consistent with our 'moderate' assessment for non-performance risk for Tier 1 instruments.

Tier 1 notes typically also include a feature whereby they can be fully or partially written down (or converted to equity) under specific trigger events, such as a sustained or significant breach of the SCR. However, the write-down/conversion feature does not affect our rating notching over and above that described above in respect of coupon cancellation. This is unchanged from the prior approach of notching these instruments.

We also no longer apply notching to S2 T3 notes for their mandatory redemption deferral feature that would be triggered if the company is unable to meet its SCR or its minimum capital requirement (MCR). This is because we now assess this feature as leading to 'minimal' non-performance risk, versus 'moderate' previously for which we would have notched down the rating by one level.

Non-performance is one of two components of the notching of debt securities in our criteria. The other is recovery prospects of the instrument upon default. Our assessment of recovery prospects is unchanged for subordinated securities. The baseline recovery assumptions remain 'poor' (minus two notches from the IDR) for S2 RT1 and Prudential Plc's Tier 1 programme notes. For S2 T3, the assumption remains 'poor' where the issuer is a non-operating holding company, and 'below average' (minus one notch) for S2 T3 issued out of operating entities.

RATING SENSITIVITIES

The rating of the notes is subject to the same sensitivities that may affect the issuers' IDRs.

Factors That Could, Individually or Collectively, Lead to Downgrade:

--A downgrade of the IDRs

Factors That Could, Individually or Collectively, Lead to Upgrade:

--An upgrade of the IDRs

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

ESG considerations have remained unchanged since the last rating review for the respective issuers. See the corresponding latest Rating Action Commentary published on www.fitchratings.com for the ESG Relevance Scores. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Prudential plc				
subordinated	LT	BBB	Upgrade	BBB-
Rothesay Life Plc				
subordinated	LT	BBB	Upgrade	BBB-
subordinated	LT	A-	Upgrade	BBB+
Aviva plc				
subordinated	LT	A-	Upgrade	BBB+
subordinated	LT	BBB+	Upgrade	BBB
Bupa Finance Plc				
subordinated	LT	BBB-	Upgrade	BB+

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

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Phoenix Group Holdings plc	UK Issued, EU Endorsed
Rothesay Life Plc	UK Issued, EU Endorsed
UnipolSai Assicurazioni S.p.A.	EU Issued, UK Endorsed
Utmost Group plc	UK Issued, EU Endorsed
Prudential Funding (Asia) Plc	EU Endorsed, UK Endorsed
Prudential plc	EU Endorsed, UK Endorsed

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With Access to Management	Yes

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