

NN Group N.V.

Key Rating Drivers

Very Strong Capital and Leverage: NN Group N.V.'s capital remained very strong with a Solvency II (S2) ratio of 196% at end-1H22 (end-2021: 213%). The drop was due to higher interest rates and lower equity markets. NN maintained its Prism Factor-Based Model (Prism FBM) score at 'Extremely Strong' at end-2021 and Fitch Ratings expects NN to maintain very strong capital metrics in 2022.

NN's Fitch-calculated financial leverage ratio (FLR) remained at 23% at end-2021, despite the issue of EUR600 million of senior debt in November 2021. The relative increase in shareholders' equity, excluding unrealised gains on available-for-sale bonds, offset the debt increase. The FLR improved to 22% at end-1H22 as EUR600 million of senior debt matured in March 2022. We expect it to be stable in 2H22.

Resilient Operating Performance: We assess NN's profitability as 'Strong' based on an improving trend in the group's operating earnings generation. Operating earnings rose to EUR2 billion (2020: EUR1.9 billion) in 2021. Pre-tax operating return on assets (ROA) improved to 1.3% (2020: 1.1%), and net income return on equity (ROE) to 9% (2020: 6%). We expect the group to benefit from rising interest rates in 2022, while price increases in non-life should limit the negative impact of high inflation.

Very Strong Company Profile: Fitch ranks NN's company profile as 'Favourable' compared with other Dutch insurers. Recent acquisitions in the Netherlands have firmly established NN as the market leader in disability and accident insurance, and as the second-largest insurer in property and casualty, while securing its leading position in life and pensions. This is despite the sale of NN Investment Partners.

Focus on Established Lines: NN focuses on well-established insurance lines in both life and non-life insurance, which represent lower-than-average business risk than its main competitors. International operations, such as those in central Europe and Japan, accounted for about 46% of NN's gross written premiums (GWP) in 2021.

Very Strong Financial Flexibility: NN's debt-servicing capability and financial flexibility is 'Very Strong' based on a three-year average fixed-charge coverage (FCC) of 13x, stable market access, and financial flexibility underpinned by adequate cash reserves and contingent funding. We expect rising interest rates to have no meaningful impact on FCC in 2022, which will remain very strong, as funding needs are limited and the group's operating earnings strong.

Low Investment Risk: Fitch assesses NN's investment and asset risk as low and scores the credit factor as 'Very Strong'. Investments mainly consist of investment-grade debt securities and high quality Dutch residential mortgages. NN has gradually optimised its investment portfolio by shifting to mortgages, loans and real estate, while reducing exposure to government bonds. The group's risky-asset ratio rose to 58% at end-2021 (end-2020: 45%), but we expect the exposure to riskier assets to remain commensurate with the ratings.

Ratings

NN Group N.V.

Long-Term IDR A+

Nationale-Nederlanden

Levensverzekering Maatschappij N.V.

Insurer Financial Strength AA-

Outlooks

Long-Term IDR Stable

Insurer Financial Strength Stable

Debt Ratings

Senior Unsecured Long-Term Rating A

Subordinated Long-Term Rating BBB+

Financial Data

NN Group N.V.

(EURm)	31 Dec 21	31 Dec 20
Total assets	251,585	263,738
Total equity and reserves	33,154	37,008
Total gross written premiums	14,312	13,822
Net income	3,278	1,904
Solvency II (%)	213	210

Note: Reported under IFRS.

Source: Fitch Ratings, NN Group N.V.

Applicable Criteria

[Insurance Rating Criteria \(July 2022\)](#)

Related Research

[Dutch Insurance Dashboard: 2022 Update \(July 2022\)](#)

[Belgian and Dutch Insurers' Prism Factor-Based Capital Model Results \(April 2022\)](#)

[Dutch Insurance Dashboard: 1H22 Interim Results \(October 2022\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An improvement in NN's financial leverage to below 15%, while operating earnings remain strong, as reflected in an ROA of 1.3% or higher, and the group's S2 ratio remains above 200%.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A deterioration of NN's financial leverage to above 30%.
- A deterioration of NN's S2 ratio to below 170%.
- A weakening of NN's operating earnings, as reflected in an ROA of 1% or below.

Latest Developments

NN reported an increase in operating capital generation (OCG) – as defined by the company – to EUR899 million in 1H22 (1H21: EUR780 million) mainly driven by higher interest rates, while value of new business rose to EUR254 million (EUR242 million). The S2 ratio dropped to 196% at end-June 2022 from 213% at end-2021, on the back of higher interest rates and lower equity markets. NN proposed an interim dividend of EUR1.00 per share for 2022 (2021: EUR0.93) and completed 55% of its share buyback programme by 5 August 2022, which comprises a regular tranche of EUR250 million and an additional tranche of EUR750 million, which followed the sale of NN IP in April 2022.

The operating result dropped by 12% year-on-year to EUR983 million in 1H22 due to elevated natural catastrophe claims in the wake of a winter storm in the Netherlands.

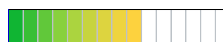
In August 2022, NN issued EUR500 million of subordinated green notes and called EUR500 million of subordinated notes issued by Nationale-Nederlanden Levensverzekeringen Maatschappij N.V.

In September 2022, NN agreed to sell the former MetLife pension business in Poland to Assicurazioni Generali S.p.A.

Key Rating Drivers – Scoring Summary

NN Group N.V.

ESG Relevance:

Insurance Navigator
EMEA Composite

Driver Levels	Operational Profile		Financial Profile								Other Drivers & Criteria Elements (see below)	Insurer Financial Strength
	Industry Profile & Operating Environment	Company Profile	Capitalization & Leverage	Debt Service Capabilities and Financial Flexibility	Financial Performance & Earnings	Investment and Asset Risk	Asset/Liability & Liquidity Management	Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk			
aaa												AAA
aa+												AA+
aa												AA
aa-												AA-
a+												A+
a												A
a-												A-
bbb+												BBB+
bbb												BBB
bbb-												BBB-
bb+												BB+
bb												BB
bb-												BB-
b+												B+
b												B
b-												B-
ccc+												CCC+
ccc												CCC
ccc-												CCC-
cc												CC
c												C
d or rd												D or RD

Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				AA-
Non-insurance Attributes	Positive	Neutral	Negative	+0
Ownership / Group Support	Positive	Neutral	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	No	AAA	+0
Insurer Financial Strength Rating				Final: AA-
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)				Final: A+

Bar Chart Legend:	
Vertical Bars = Range of Driver	
Bar Colors = Relative Importance	
■	Higher Influence
■	Moderate Influence
■	Lower Influence
Bar Arrows = Driver Outlook	
↑	Positive
↓	Negative
↕	Evolving
□	Stable

Company Profile

Very Strong Company Profile

Fitch ranks NN's company profile as 'Favourable' compared with other insurance companies in the Netherlands, driven by its 'Most Favourable' competitive positioning, 'Favourable' business risk profile and 'Favourable' diversification. Corporate governance and management are viewed as moderate/favourable and neutral to the rating. Given these rankings, Fitch scores NN's company profile at 'aa' under its rating driver scoring guidelines.

NN is a leading Dutch insurance and financial services group with activities in life and non-life insurance, as well as banking. Recent acquisitions in the Netherlands have firmly established NN as the second-largest insurer in disability and accident (D&A) and in property and casualty (P&C), and secured its leading position in life and pensions. In non-life, NN had market shares of 29% in D&A and 24% in the P&C segment; in life it had a 40% market share in group pensions and 20% in individual life, based on 2020 GWP. NN's asset-management arm, NNIP, was sold in April 2022.

The 'Favourable' business risk profile score reflects NN's business focus on established insurance lines in both life and non-life insurance, which we believe represent lower-than-average risk compared to main competitors. The group is predominantly exposed to longevity risk and, to a lesser extent, mortality and morbidity, which provides a natural hedge. NN discontinued sales of most traditional individual life insurance products in the Netherlands, and of variable annuity products in Japan. NN is establishing a fee-based pension insurance business, as is the broader Dutch life insurance market.

The 'Favourable' diversification score reflects the group's diversification, both by business lines and by geographies. NN's international operations are well established and accounted for about 45% of 2021 GWP.

NN has a significant franchise in Japan, where it is in the top three of the corporate-owned life insurance (COLI) niche. COLI products offer protection, savings and pensions insurance for the owners and employees of small and medium-sized enterprises (SME) and represent about 20% of the Japanese life market. In Europe, NN primarily offers life insurance and pension products to retail and SME clients in Belgium, central-eastern and south-eastern Europe (CESEE) and Spain. NN has top three positions in most CESEE markets.

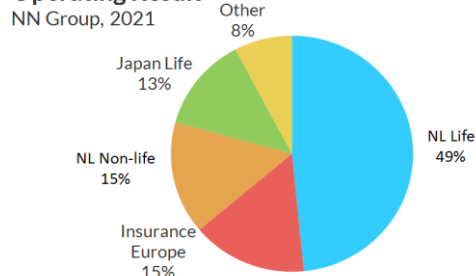
Company Profile Scoring

Business profile assessment	Favourable
Business profile sub-factor score	aa
Corporate governance assessment	Moderate/Favourable
Corporate governance impact (notches)	0
Company profile factor score	aa

Source: Fitch Ratings

Operating Result

NN Group, 2021

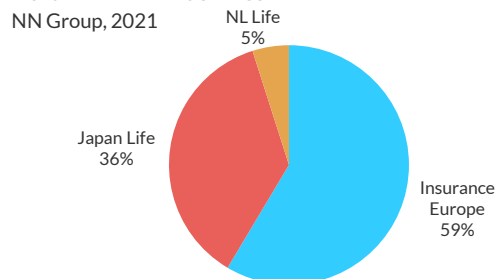


NL: Netherlands

Source: Fitch Ratings, company data

Value of New Business

NN Group, 2021



Source: Fitch Ratings, company data

Ownership

Neutral Ownership

NN's ownership is neutral to its rating. The company has been publicly listed on the Euronext Amsterdam stock exchange since July 2014 and has a fragmented shareholder structure. No single shareholder has a majority stake.

Capitalisation and Leverage

Very Strong Capitalisation, Low Financial Leverage

Fitch's assessment of NN's capitalisation remains 'Very Strong'. The group scored 'Extremely Strong' on Fitch's Prism FBM based on end-2021 numbers (unchanged), reflecting the company's solid capital generation. NN's S2 ratio was 196% at end-1H22 (end-2021: 213%), generally aligned with other large Dutch insurers. In 1H22, improved OCG supported the group's S2 ratio, but was more than offset by distributions to shareholders and adverse financial market developments.

We expect OCG to add between 15pp and 20pp to the S2 ratio in 2022, and sensitivity to shock scenarios to remain within acceptable limits. Key stress scenarios are higher credit spreads for government bonds and mortgages, as well as shocks to equity and real estate prices. NN's tight asset-liability management eliminates sensitivity to interest rate changes to a large extent. However, sensitivity to yield curve steepening is more pronounced due to the application of the ultimate forward rate for long-term liabilities.

Financial leverage fell to 22% at end-1H22 (end-2021: 23%) due to EUR600 million of senior notes maturing in March 2022. In August 2022, NN issued EUR500 million of subordinated green notes and called EUR500 million of subordinated notes issued by Nationale-Nederlanden Levensverzekeringen Maatschappij N.V.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
TFC/total equity (x)	0.4	0.4
Gross leverage (x)	7.2	6.8
Financial leverage (goodwill supported)	23	23.2
Regulatory capital ratio	213	210

Gross leverage = (gross premiums written + gross insurance liabilities)/equity capital

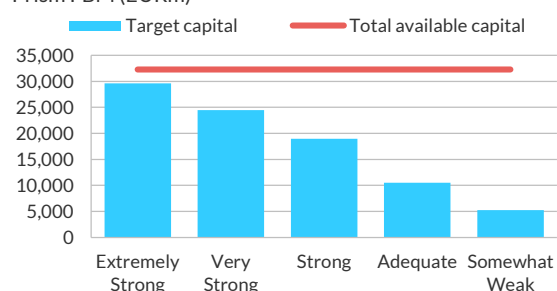
Source: Fitch Ratings, NN Group N.V.

Fitch's Expectations

- NN's capitalisation to remain 'Very Strong' and the group's S2 ratio to remain around 200% at end-2022. Strong OCG on the back of higher mortgage spreads and rising interest rates will support capital.
- The group's FLR to remain low as we do not expect an expansion of NN's indebtedness in 2022 and 2023.

Capitalisation Adequacy

Prism FBM (EURm)



Source: Fitch Ratings

Financial Highlights

	2021	2020
Prism score	Extremely Strong	Extremely Strong
Prism total AC (EURm)	32,248	33,342
Prism AC/TC at Prism score (%)	109	125
Prism AC/TC at higher Prism score (%)	n.a.	n.a.

AC – Available capital. TC – Target capital

Source: Fitch Ratings, NN Group N.V.

Debt Service Capabilities and Financial Flexibility

Very Strong Financial Flexibility

NN's 'Very Strong' debt-servicing capability and financial flexibility is based on a high FCC (three-year average: 13x), stable market access, and financial flexibility that is underpinned by adequate cash reserves and contingent funding.

Holding company cash capital was EUR2.5 billion at end-1H22 (end-2021: EUR2.0 billion), well in excess of cash requirements in a one-in-20 combined stress scenario. Contingent credit facilities of EUR1.75 billion further support the group's financial flexibility in stress events.

We expect the strong financial performance of subsidiaries and lifting of dividend restrictions to support cash remittances to the holding company in 2022, and that there will be no need for significant cash down-streaming over the next year.

NN maintains stable market access and could achieve favourable pricing, as reflected in the consistent tightening of spreads on NN's outstanding debt securities since March 2020.

Financial Highlights

(x)	31 Dec 21	31 Dec 20
Fixed-charge coverage ratio (including gains and losses)	14.8	12.2
Fixed-charge coverage ratio (excluding gains and losses)	9.5	5.7

Source: Fitch Ratings, NN Group N.V.

Financial Performance and Earnings**Strong and Improving Financial Performance**

Fitch assesses NN's profitability as 'Strong' based on the long-term improving trend in the group's operating performance, its ROA of 1.3% and ROE of 9% in 2021. We expect higher inflation to have only a negligible effect on the group's 2022 financial performance, as pricing in non-life remains strong and earnings from the life closed book and international units remain resilient.

NN's operating earnings (2021: EUR2.0 billion; 1H22: EUR1.0 billion) were supported by the resilient performance of all operating units. Through the year 2022, the group has taken mitigating actions to balance the negative effects of higher inflation on its non-life business. Premium rates have been increased and reserving levels in D&A strengthened. NN's reported combined ratio deteriorated to 96.1% in 1H22 (2021: 93.5%; 1H21: 92.0%). Natural catastrophe claims caused by a series of winter storms in February 2022 were the main driver, but a normalised economic activity after the pandemic-related slowdown in the Netherlands also contributed to a higher claims frequency.

Recent acquisitions in Greece and Poland will increasingly contribute to operating earnings, while the operating income share of NNIP will fall away in 2H22 and 2023 as it was sold in April 2022.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Net income/return on equity	9.4	5.6
Pre-tax operating profit/return on equity	6.3	3.9
Net combined ratio (Fitch calculated)	95.6	97.6
Operating ratio	92.1	94.8

Source: Fitch Ratings

Fitch's Expectations

- NN's financial performance to remain resilient against the backdrop of higher inflation. Price increases and higher reinvestment yields will help to protect margins.

Investment and Asset Risk**Low Investment Risk**

Fitch assesses NN's investment and asset risk as low and scores the credit factor as 'Very Strong' based on its low risky-assets/equity ratio, a predominantly investment-grade debt portfolio, and a well-collateralised Dutch residential mortgage portfolio.

NN has gradually optimised its investment portfolio by shifting to mortgages, loans and real estate, while reducing exposure to government bonds. This has led to lower average ratings of the bond portfolio and a higher share of non-investment-grade bonds. While the risky-asset ratio rose to 58% in 2021 (2020: 45%), we still consider NN's investment and asset risk low.

Fitch assesses the credit risk of NN's EUR59 billion (28% of total investments) residential mortgage portfolio as low given low historic delinquency rates and strong collateralisation. The book is concentrated on Dutch residential mortgages with some diversification in Belgium, although the Belgian portfolio is small. At end-1H22, the average loan/value ratio was favourable at 55%, and about 27% of the total exposure was backed by government guarantees, provided through the Stichting Waarborgfonds Eigen Woningen (Netherlands IDR: AAA), which further reduces credit risk.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Risky assets/capital (total)	58	45
Unaffiliated shares/capital (total)	23	21
Non-investment-grade bonds/capital (total)	18	11
Investments in affiliates/capital (total)	18	13

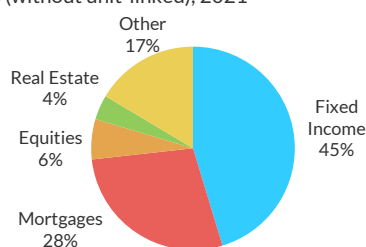
Source: Fitch Ratings, NN Group N.V.

Fitch's Expectations

- No significant increase to investment risk in 2022 and 2023.

Investment Split

NN Group (without unit-linked), 2021



Source: Fitch Ratings, company data

Asset/Liability and Liquidity Management

Very Strong Asset Liability and Liquidity Management

Fitch assesses NN's asset-liability and liquidity management as 'Very Strong', based on a comprehensive risk-management framework, prudent investment policy and effective hedging.

NN uses cash-flow matching, duration matching and derivatives-based hedging to manage interest rate risk. Residual interest rate risk mainly arises from the application of the UFR under S2, used for maturities exceeding 20 years. NN's S2 ratio is sensitive to changes in the expected UFR, which is to remain unchanged at 3.45% in 2023.

Fitch believes market risks arising from guarantees provided to policyholders in separate account businesses, such as the variable annuity portfolio, the Dutch group pension business, and some unit-linked products, are adequately managed and hedged resulting in only moderate net hedge result each year. NN does not separately hedge market risks related to performance guarantees on some unit-linked policies.

Risks associated with guarantees are declining gradually as defined benefit pensions shift to defined contributions, and the Japan Closed Block variable annuity portfolio runs off. Variable annuities include embedded guarantees, which give rise to risks that are long-tailed and difficult to hedge and reserve for, in Fitch's view.

NN maintains a sound liquidity profile based on Fitch's assessment of NN's liquidity ratios and NN's own liquidity stress-test results. Repo lines with external counterparties and a EUR1.75 billion committed revolving credit facility with a syndicate of banks provide additional sources of liquidity.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Non-life liquid assets/non-life loss reserves	91	94
Life liquid assets/life technical reserves	90	95

Source: Fitch Ratings, NN Group N.V.

Reserve Adequacy

Favourable Reserve Development

NN's 'Strong' reserving score reflects an overall favourable run-off experience and the absence of material past reserve shortfalls.

NN experienced overall positive reserve run-off results over a five-year horizon. However, minor unfavourable developments have occurred for accident years 2014 and 2015, mainly in the motor segment. There has been no additional need for reserve-strengthening apart from a one-off EUR40 million addition in 2017 as part of the best-estimate liability review.

The high inflation environment has required the upward revision of wage assumptions in D&A in 1H22. Fitch expects further reserve strengthening of a moderate size in D&A in 2H22 and 2023.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Reserve development/prior-year capital	-0.1	-0.4
Reserve development/prior-year loss reserve	-0.4	-2.3
Net technical reserves/net written premiums	193.8	207.6
Net loss reserves/incurred losses (x)	2.8	2.6

Source: Fitch Ratings, NN Group N.V.

Reinsurance, Risk Mitigation and Catastrophe Risk

Adequate Reinsurance Protection

Fitch scores NN's reinsurance, risk management and catastrophe risk as 'Strong' based on the group's strong risk-management framework, robust reinsurance protection and the strong credit quality of reinsurance counterparts.

NN's risk framework is calibrated predominantly to maintain solvency coverage above 100% in a one-in-20 combined stress scenario without having to raise equity capital or being forced to sell assets. NN manages its risk profile by allocating risk limits to each business unit based on outputs from NN's internal risk model. Increased longevity in the Dutch pension business is among the key non-market risk scenarios modelled by NN. NN has a longevity hedge arrangement for its life insurance subsidiary, based on life and health expectations related to the Dutch population.

The insurer is exposed to catastrophe risk in both life and non-life insurance. It runs a sophisticated reinsurance programme mainly through its captive internal reinsurer to limit non-life earnings volatility. The captive reinsurer further cedes risks exceeding its limits to the open market. The credit quality of the reinsurance panel is strong, with all external reinsurance counterparts rated in the 'A' category or above.

Overall, Fitch views NN's maximum risk retention as conservative relative to its capital.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Reinsurance recoverables/non-life capital	22.4	21.6
Net written premiums/gross written premiums	94.3	94
Reinsurers' share of earned premiums	5.6	5.8

Source: Fitch Ratings, NN Group N.V.

Appendix A: Peer Analysis

Peer Comparison

Click [here](#) for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click [here](#) for a link to a report that summarises the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

Fitch views the group's Dutch life (Nationale-Nederlanden Levensverzekering Maatschappij N.V.) insurance subsidiary as 'Core' to the group due to its strategic importance, high degree of integration and common branding with the group. The IFS rating of NN's life insurance operating subsidiary is therefore based on a group rating approach.

Notching

For notching purposes, Fitch assesses the Dutch regulatory environment as being 'Effective', and classified as following a group solvency approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS anchor rating to the implied operating company IDR.
Operating company debt
Not applicable.
Holding company IDR
Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.
Holding company debt
A baseline recovery assumption of 'Below Average' was applied to senior debt securities issued by NN Group N.V. Standard notching relative to the IDR was used.
Hybrids
For hybrid securities issued by NN Group N.V. (excluding securities formerly issued by Delta Lloyd NV), a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of minus three was applied relative to NN Group N.V.'s IDR, which was based on minus two notches for recovery and minus one notch for non-performance risk.
IFS – Insurer Financial Strength. IDR – Issuer Default Rating Source: Fitch Ratings

Debt Maturities

Debt Maturities

As of end-September 2022	(EURm)
2023	500
2027	600
2031 and beyond	2,950
Perpetual	1,750
Total	5,800

Source: Fitch Ratings; NN Group N.V.

Short-Term Ratings

Not applicable.

Hybrid – Equity/Debt Treatment

Fitch does not provide equity credit for perpetual callable subordinated notes due to their coupon step-up feature at the time of issuance.

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
NN Group N.V.				
XS2526486159, call 2032, 2043	EUR500m	0	100	100
XS1550988643, call 2028, 2048	EUR850m	0	100	100
XS1028950290, call 2026, perpetual	EUR1,000m	0	100	100
XS1054522922, call 2024, 2044	EUR1,000m	0	100	100
XS1076781589, call 2024, perpetual	EUR750m	0	100	100

CAR – Capitalisation ratio; FLR – Financial leverage ratio. N.A. – Not applicable

For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override. For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio.

Source: Fitch Ratings

Recovery Analysis and Recovery Ratings

Not applicable.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings		NN Group N.V.		Insurance Navigator EMEA Composite			
Credit-Relevant ESG Derivation							
NN Group N.V. has 7 ESG potential rating drivers				Overall ESG Scale			
NN Group N.V. has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.				key driver	0	issues	5
NN Group N.V. has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.				driver	0	issues	4
NN Group N.V. has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.				potential driver	7	issues	3
Governance is minimally relevant to the rating and is not currently a driver.				not a rating driver	2	issues	2
					5	issues	1
Environmental (E)							
General Issues	E Score	Sector-Specific Issues	Reference	E Scale			
GHG Emissions & Air Quality	1	n.a.	n.a.	5			
Energy Management	1	n.a.	n.a.	4			
Water & Wastewater Management	1	n.a.	n.a.	3			
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2			
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1			
Social (S)							
General Issues	S Score	Sector-Specific Issues	Reference	S Scale			
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5			
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Company Profile; Reserve Adequacy	4			
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3			
Employee Wellbeing	1	n.a.	n.a.	2			
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1			
Governance (G)							
General Issues	G Score	Sector-Specific Issues	Reference	G Scale			
Management Strategy	3	Operational implementation of strategy	Company Profile	5			
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile	4			
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3			
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2			
				1			
How to Read This Page							
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.							
The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.							
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.							
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).							
Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.							
CREDIT-RELEVANT ESG SCALE							
How relevant are E, S and G issues to the overall credit rating?							
5		Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.					
4		Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.					
3		Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.					
2		Irrelevant to the entity rating but relevant to the sector.					
1		Irrelevant to the entity rating and irrelevant to the sector.					

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

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ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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