

Research Update:

# Gjensidige Forsikring ASA Outlook Revised To Stable On Future Excess Capital Position; Ratings Affirmed At 'A'

June 29, 2023

## Overview

- Gjensidige Forsikring ASA (Gjensidige or the group) has continued to produce strong operating results in 2022 and early 2023, allowing it to maintain an excess of capital at the 'AA' benchmark in our model. However, we think management will seek to maintain flexibility and thus not commit to holding capital beyond its targeted 'A' level over the next two to three years.
- We therefore revised our outlook to stable from positive.
- At the same time, we affirmed our 'A' long-term issuer credit and financial strength ratings on Gjensidige.

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## Rating Action

On June 29, S&P Global Ratings revised its outlook on Gjensidige to stable from positive, and affirmed its 'A' long-term issuer credit and financial strength ratings on the group.

We also affirmed our 'BBB+' long-term issue credit ratings on Gjensidige's Tier 2 debt issues and our 'BBB' long-term rating on its Restricted Tier 1 subordinated issues.

## Rationale

We affirmed our issuer credit and financial strength ratings on Gjensidige at 'A' on our expectation that the group will continue to record robust underwriting results and maintain an excess of capital above the 'A' threshold in our capital model.

Gjensidige recorded another strong underwriting year in 2022 with a combined ratio of 81.4%. Investment losses of Norwegian krone (NOK) 651 million, largely stemming from unrealized losses on the group's bond portfolio, limited its net income to NOK4.5 billion, but its capital position remained above our 'AA' benchmark as per our capital model. Gjensidige's strong performance continued in first-quarter 2023, with a combined ratio of 86.9% and a pre-tax profit of NOK1.5

billion, despite some weather-related losses. Our expectation is that the group will continue to record underwriting results in the top quartile of its European peers with combined ratios well below 90%.

We revised our outlook to stable from positive because we expect that management will seek to maintain flexibility and thus not commit to holding capital beyond its targeted 'A' level over the next two to three years. While the group held an excess at the 'AA' level at year-end 2022, management only commits to holding levels of capital commensurate with the 'A' benchmark in our capital model.

## Outlook

The stable outlook reflects our expectation that over the next two years, Gjensidige will continue to record robust underwriting results with combined ratios below 90%, at least at the same time as holding levels of capital above the 'A' threshold in our capital model.

## Downside scenario

Although unlikely, we could take a negative rating action on the group over the next 24 months if capitalization declined on a prolonged basis below the 'A' threshold in our capital model. This could result from significant investment losses or sustained poor underwriting performance.

## Upside scenario

We could take a positive rating action on the group if it continued at its current level of underwriting performance with combined ratios close to 85%, and we expected management to consistently maintain a clear buffer above our 'AA' benchmark as per our capital model.

## Ratings Score Snapshot

### Gjensidige Forsikring ASA --Ratings Score Snapshot

Business risk profile	Strong
Competitive position	Strong
IICRA	Low risk
Financial risk profile	Very strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Anchor*	a
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0

## Gjensidige Forsikring ASA --Ratings Score Snapshot (cont.)

Business risk profile	Strong
Competitive position	Strong
IICRA	Low risk
Financial risk profile	Very strong
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Anchor*	a
<b>Modifiers</b>	
Financial strength rating	A

\*This is influenced by our view of Gjensidige's relatively narrow competitive position

## ESG credit indicators: E-2, S-2, G-2

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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: 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

### Ratings Affirmed

#### Gjensidige

Junior Subordinated	BBB
Junior Subordinated	BBB+

### Ratings Affirmed; Outlook Action

	To	From
<b>Gjensidige</b>		
Issuer Credit Rating		

Local Currency	A/Stable/--	A/Positive/--
Financial Strength Rating		
Local Currency	A/Stable/--	A/Positive/--

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