

# **The Phoenix Insurance Company Ltd. The Phoenix Holdings Ltd. The Phoenix Capital Raising (2009) Ltd.**

July 11, 2023

## **Research Update**

**The Phoenix Insurance Company Ltd. Rating  
Raised To 'iAAA', Outlook Stable; The Phoenix  
Holdings Ltd. Rating Raised To 'iAA', Outlook  
Stable**

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## Research Update

# The Phoenix Insurance Company Ltd. Rating Raised To 'ilAAA', Outlook Stable; The Phoenix Holdings Ltd. Rating Raised To 'ilAA', Outlook Stable

### Overview

- The Phoenix Insurance Company Co. Ltd. ("Phoenix" or "the Company") continues to perform strongly compared with our expectation and peers in the Israeli market.
- Despite challenging market conditions in 2020-2022, Phoenix's capital base remains robust as reflected by a variety of indices.
- The group also benefits from increased cashflows from non-insurance operations, offering increased diversification and strengthening its competitive position.
- We are therefore raising our issuer credit rating on The Phoenix Insurance Company Ltd to 'ilAAA' from 'ilAA+' and our issuer credit rating on The Phoenix Holdings Ltd. to 'ilAA' from 'ilAA-'. The outlook is stable.

### Rating Action

On July 11, 2023, S&P Maalot raised its issuer credit rating on The Phoenix Insurance Company Ltd. to 'ilAAA' from 'ilAA+' and its issuer credit rating on The Phoenix Holdings Ltd. to 'ilAA' from 'ilAA-'. We also raised our ratings on the junior subordinated issues of core group subsidiary The Phoenix Capital Raising 2009 Ltd. and on the senior debt of The Phoenix Holdings Ltd. to 'ilAA' from 'ilAA-'.

### Key analytical factors

The upgrade reflects the continuous improvement in Phoenix's operating performance and capital base, and the growth in cashflows derived from non-insurance operations that strengthen its competitive position.

Phoenix continues to perform strongly compared with our expectation and peers in the Israeli market, as reflected, inter alia, in average ROE of about 15% in the last five years. The Company has diverse lines of business, which balance between extensive life insurance and general and health insurance. Based on Phoenix Agencies' high distribution capabilities, the Company's market share by premiums at year-end 2022 was about 17% in life insurance, about 14% in general insurance and about 19% in health insurance. The Company has been implementing strategic plans that include investing in

technological capabilities and in exploitation of internal synergies, which, we believe, will enable it to continue growing. In accordance with the strategic plan, we expect Phoenix to demonstrate an annual increase of 2%-3% in premiums and a decrease in the rate of expenses.

Phoenix is endeavoring to increase its cashflows from non-insurance operations (about 40% of total profit in 2022) through acquisitions and organic growth. The growth in non-insurance operations contributes to the Company's business diversification and strengthens its competitive position and business profile. Furthermore, we believe that the increase in cashflows from non-insurance operations (agencies, Excellence, Gamma) enhances Phoenix Holdings' liquidity profile, which becomes more diversified and reduces the dependency on insurance operations which are subject to intense regulatory supervision.

We believe Phoenix's capital base remained robust in recent years despite the slowdown resulting from the pandemic and challenging market conditions in 2022, whether measured using S&P's model or based on a regulatory solvency basis. Although the Company's stated goal is to maintain a Solvency II coverage ratio of 170%-150%, in practice this ratio was 211% in December 2022, 190% in 2021 and 192% in 2020. We estimate that the Company will continue to maintain a solid capital base. In our assessment of the capital and expectations for future growth, we take into account the Company's current dividend policy according to which it will distribute at least 30% of the group's total profit.

## **Outlook**

The stable outlook on Phoenix Insurance reflects our view that it will maintain its leading business position in the next 18-24 months. Our view is supported by its diversified business model and sound profitability, supporting its capital growth. At the same time, we believe its capital adequacy will strengthen and remain adequate in relation to balance sheet risks.

## **Downside scenario**

We may consider a negative rating action in the next 18-24 months in case of material deterioration in the Company's operating performance which will erode its loss absorbing capacity thus materially weakening its capital adequacy, or in case of a decline in premiums and deposits to a level that we find to weaken Phoenix's business position in the local market.

A Negative rating action on Phoenix Insurance could lead to a similar action on Phoenix Holdings. A weakening in the liquidity profile could also lead to a negative rating action on Phoenix Holdings.

## Environmental, Social, And Governance

### ESG Credit Indicators: E-2, S-2, G-2

ESG factors have an overall neutral influence on our credit analysis of Phoenix Insurance Company Ltd.

### Related Criteria And Research

- [Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model](#), June 7, 2010
- [Principles Of Credit Ratings](#), February 16, 2011
- [Insurers Rating Methodology](#), July 1, 2019
- [Group Rating Methodology](#), July 1, 2019
- [Environmental, Social, And Governance Principles In Credit Ratings](#), October 10, 2021
- [Hybrid Capital: Methodology And Assumptions](#), March 2, 2022
- [Methodology For National And Regional Scale Credit Ratings](#), June 8, 2023
- [S&P Global Ratings Definitions](#), June 9, 2023

### Ratings List

The Phoenix Insurance Company Ltd., The Phoenix Holdings Ltd., The Phoenix Capital Raising (2009) Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
<b>Issuer rating(s)</b>			
The Phoenix Holdings Ltd			
Long term	ilAA/Stable	14/03/2007	02/11/2022
The Phoenix Insurance Company Ltd.			
Long term	ilAAA/Stable	24/05/2004	02/11/2022
<b>Issue rating(s)</b>			
<u>The Phoenix Holdings Ltd</u>			
<u>Senior Unsecured Debt</u>			
Series 4	ilAA	03/02/2020	02/11/2022
Series 5	ilAA	03/02/2020	02/11/2022
Series 6	ilAA	14/12/2021	02/11/2022
<u>The Phoenix Capital Raising 2009 Ltd.</u>			
<u>Subordinate hybrid debt</u>			
Series 9	ilAA	03/02/2020	02/11/2022
Series 4	ilAA	03/02/2020	02/11/2022
Series 5	ilAA	03/02/2020	02/11/2022
Series 8	ilAA	03/02/2020	02/11/2022

Series 10	iIAA	03/02/2020	02/11/2022
Series 11	iIAA	16/02/2019	02/11/2022
Series 13	iIAA	23/06/2022	02/11/2022
Series 12	iIAA-	27/07/2021	02/11/2022

### Issuer Credit Rating history

The Phoenix Insurance Company Ltd.

Long term

July 11, 2023	iIAA/Stable
April 21, 2020	iIAA+/Stable
October 07, 2018	iIAA+/Positive
February 19, 2017	iIAA+/Stable
November 17, 2015	iIAA+/Negative
May 20, 2014	iIAA+/Stable
November 18, 2012	iIAA+/Negative
July 18, 2012	iIAA+/Watch Neg
October 16, 2011	iIAA+/Stable
August 26, 2010	iIAA/Stable
August 17, 2009	iIAA-/Negative
May 19, 2009	iIAA-/Watch Neg
February 08, 2009	iIAA/Watch Neg
May 24, 2004	iIAA

The Phoenix Holdings Ltd

Long term

July 11, 2023	iIAA/Stable
October 06, 2019	iIAA-/Stable
October 07, 2018	iA+/Positive
February 19, 2017	iA+/Stable
November 17, 2015	iA+/Negative
May 20, 2014	iA+/Stable
November 18, 2012	iA+/Negative
July 18, 2012	iA+/Watch Neg
January 12, 2012	iA+/Stable
August 26, 2010	iA/Stable
May 19, 2009	iA/Negative
November 16, 2008	iIAA/Watch Neg
March 14, 2007	iIAA/Stable

### Additional details

Time of the event	11/07/2023 08:02
Time when the event was learned of	11/07/2023 08:02
Rating requested by	Issuer

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