

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

July 30, 2024

Rating Affirmation

**‘ilAAA’ Rating Affirmed On Phoenix Insurance,
Outlook Stable; ‘ilAA’ Rating Affirmed On Phoenix
Holdings, Outlook Stable**

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Rating Affirmation

'ilAAA' Rating Affirmed On Phoenix Insurance, Outlook Stable; 'ilAA' Rating Affirmed On Phoenix Holdings, Outlook Stable

Overview

- The operating performance of Phoenix Insurance Company Ltd. ("Phoenix Insurance" or "the Company") remains strong, strengthening its capitalization.
- We do not expect that the ongoing Israel-Hamas war will have a material impact on Phoenix Insurance's creditworthiness.
- We are therefore affirming our 'ilAAA' rating on The Phoenix Insurance Ltd. The outlook is stable. At the same time, we are affirming our 'ilAA' rating on The Phoenix Holdings Ltd ("Phoenix Holdings"). The outlook is stable.

Rating Action

On July 30, 2024, S&P Maalot affirmed its 'ilAAA' rating on The Phoenix Insurance Company Ltd. and its 'ilAA' rating on The Phoenix Holdings Ltd, both with a stable outlook.

Rationale

Phoenix Insurance's profitability continued to distinguish it from its peers in the past two years. In Q1 2024, the group reported a total income of NIS 284 million, which represents an annual return on equity of 11.2%. Profit in the quarter was driven by non-life lines as the impact of stronger rates came through, but also supported by non-insurance activities, including asset management, agencies and credit, which contributed an after-tax income of NIS 129 million. The group's robust performance was underpinned by sustained income growth and expansion of assets under management (AUM) through both organic and inorganic strategies. At the end of Q1.2024, AUM was NIS 472 billion, compared to NIS 433 billion at year-end 2023 and NIS 371 billion at year-end 2022.

Phoenix Insurance has consistently outperformed the P/C insurance industry, achieving a combined ratio of 85.3% in 2023. This metric has remained stable within the 85%-95% range over the past five years, averaging 89.5%. At the same time, the P/C segment exhibited robust growth in 2023, with premiums increasing by 22% year-on-year. This growth was primarily driven by strong performance in the motor lines, which doubled underwriting profits.

Phoenix Insurance strategically shifted its life-line focus towards lower-risk, capital-efficient short-term products. These products, primarily distributed through agency channels, generate revenue through AUM fees.

Phoenix Insurance's capitalization on our model strengthened over 2023, though it remains heavily dependent on life Value in Force and sensitive to our assessment of interest rate risk. We believe that capitalization will be sufficient to support the rating through the group's growth plan implementation and any volatility arising from investment fluctuations or the military and political situation in Israel and around. In addition, Phoenix Insurance benefited from a strong solvency ratio of 194% at Q1 2024, higher than its 150%-170% target range.

Despite the ongoing war and wider political and economic instability, we do not currently expect it to affect the group's results. The Israeli government has a scheme that will cover property insurance losses directly related to the war as well as military life insurance claims; insurers themselves will not cover these risks. The most significant effect of a prolonged war could be on insurers' investment portfolios, though these were swift to recover after the initial attack by Hamas on Israel in October 2023. More broadly, there could be protracted effects from changed macroeconomic prospects and credit conditions, particularly if the conflict expands more widely.

Outlook

The stable outlook on Phoenix Insurance reflects our view that it will maintain its leading business position in the Israeli insurance market in the next 18-24 months. Our view is supported by the Company's diversified business model and sound profitability, supporting its capital accumulation. At the same time, we believe Phoenix Insurance's 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 to a level that we find to weaken Phoenix Insurance's business position in the local market. A widening of the scope of the war could also prompt a negative action.

A negative rating action on Phoenix Insurance may lead to a similar action on Phoenix Holdings. A weakening in Phoenix Holdings' liquidity profile may also lead to a negative rating action.

Upside Scenario

We may consider a positive rating action on Phoenix Holdings if the group's creditworthiness continues to strengthen, while maintaining adequate liquidity.

Related Criteria And Research

- [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
- [Risk-Adjusted Capital Framework Methodology](#), November 15, 2023
- [S&P Global Ratings Definitions](#), June 9, 2023

Ratings List

Phoenix Insurance Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s)			
Long term	ilAAA/Stable	24/05/2004	27/12/2023
Issuer Credit Rating history			
Long term			
July 11, 2023	ilAAA/Stable		
April 21, 2020	ilAA+/Stable		
October 07, 2018	ilAA+/Positive		
February 19, 2017	ilAA+/Stable		
November 17, 2015	ilAA+/Negative		
May 20, 2014	ilAA+/Stable		
November 18, 2012	ilAA+/Negative		
July 18, 2012	ilAA+/Watch Neg		
October 16, 2011	ilAA+/Stable		
August 26, 2010	ilAA/Stable		
August 17, 2009	ilAA-/Negative		
May 19, 2009	ilAA-/Watch Neg		
February 08, 2009	ilAA/Watch Neg		
May 24, 2004	ilAA		

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

Phoenix Holdings	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s)			
Long term	ilAA/Stable	14/03/2007	27/12/2023
Issue rating(s)			
<u>Senior Unsecured Debt</u>			
Series 4	ilAA	03/02/2020	27/12/2023
Series 5	ilAA	03/02/2020	27/12/2023
Series 6	ilAA	14/12/2021	27/12/2023
Issuer Credit Rating history			
Long term			
July 11, 2023	ilAA/Stable		
October 06, 2019	ilAA-/Stable		
October 07, 2018	ilA+/Positive		
February 19, 2017	ilA+/Stable		
November 17, 2015	ilA+/Negative		
May 20, 2014	ilA+/Stable		
November 18, 2012	ilA+/Negative		
July 18, 2012	ilA+/Watch Neg		
January 12, 2012	ilA+/Stable		
August 26, 2010	ilA/Stable		
May 19, 2009	ilA/Negative		
November 16, 2008	ilAA/Watch Neg		
March 14, 2007	ilAA/Stable		

Phoenix Capital Raising (2009) Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issue rating(s)			
<u>Hybrid Subordinated debt</u>			
Series 9	ilAA	03/02/2020	27/12/2023
Series 4	ilAA	03/02/2020	27/12/2023
Series 5	ilAA	03/02/2020	27/12/2023
Series 8	ilAA	03/02/2020	27/12/2023
Series 10	ilAA	03/02/2020	27/12/2023
Series 11	ilAA	16/02/2019	27/12/2023
Series 13	ilAA	23/06/2022	27/12/2023
Series 12	ilAA-	27/07/2021	27/12/2023
<u>Subordinated debt</u>			
Series 14,15	ilAA	12/12/2023	12/12/2023

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